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Pressure grows for denationalisation in France, Page 8

Assy.	Sch. 18	Indonesia	Rp 2500	Foreign	£ 0.00
Bahamas	100 B.000	Italy	1.1200	S. Arabia	Rp 9.00
Bahia	100 B.000	Japan	1000	Singapore	S\$ 4.10
Canada	100 C.00	Kenya	1000	Sri Lanka	Rp 100
Chad	100 C.00	Malaysia	1000	Taiwan	NT 505
Denmark	100 D.00	Norway	1000	Thailand	100 B.000
Egypt	100 E.00	Peru	1000	USA	\$ 1.00
France	100 F.00	Philippines	1000	West Germany	DM 3.00
Germany	100 G.00	Poland	1000	Yemen	100 Y.00
Ghana	100 G.00	Romania	1000	Zimbabwe	100 Z.00
Greece	100 G.00	Saudi Arabia	1000		
Hong Kong	100 H.00	South Africa	1000		
India	100 I.00	Switzerland	1000		
Indonesia	100 I.00	USA	1000		
Italy	100 I.00	West Germany	1000		
Japan	100 J.00	Zimbabwe	1000		

NEWS SUMMARY

GENERAL

Man dies in Ulster as police charge

One man died and several others were injured in Belfast when police unsuccessfully tried to arrest the publicity director of the Provisional IRA, who has been banned from Northern Ireland by UK authorities.

Police firing plastic bullets and wielding batons charged a crowd of demonstrators when Martin Galvin appeared on a platform to address a rally, but the American was apparently passed out of their reach over the heads of the crowd.

The demonstration had been organised by Sinn Fein, political wing of the Provisional IRA, to mark the 18th anniversary of the introduction of internment without trial, a practice suspended in 1975.

Former senior officials and advisers of the banned Solidarity trade union movement, who were recently released under a Polish Government amnesty, plan to meet Mr Lech Walesa, the union's former leader.

Kuwait is expected to sign an agreement with Moscow soon for the purchase of more than \$300m worth of Soviet arms and equipment.

Corsica voters went to the polls yesterday to choose a new regional assembly. The separatist Corsican Movement for Self-Determination stood for the first time.

Zimbabwe Prime Minister Mr Robert Mugabe, closed Zanu-PF's congress in Harare firmly in control of all elements in the party.

Chancellor Helmut Kohl has strongly rejected a new claim in the Soviet press of West German "revanchism".

A revolutionary court in Afghanistan sentenced 15 people to death and jailed 21 for anti-government activity, according to Kabul radio.

India's Sikh problem deepened with a split among Sikh factions and the deaths of four extremists in clashes with police in the state of Punjab.

Sor Paulo Salim Maluf, the son of a Lebanese immigrant, won the presidential nomination for Brazil's ruling Social Democrat party in next March's elections.

Canada's opposition Conservative Party is heading for a general election breakthrough in the Liberal stronghold of Quebec, according to opinion polls.

President Luis Alberto Monge of Costa Rica called for the resignation of his cabinet with the aim of carrying out a reshuffle.

Identical twin sisters married to identical twin brothers gave birth to babies, a boy and a girl, within an hour of each other at Chesterfield, England.

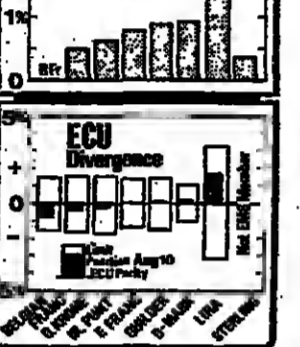
American Eddie Lawson, riding a Yamaha, won the world 500 cc motor cycle road racing championship with victory in the Swedish grand prix at Anderstorp.

BUSINESS

Sinclair plans London flotation

SINCLAIR RESEARCH, British home computer company, plans to go public on the London Stock Exchange early next year.

ANOTHER relatively quiet week for continental currencies resulted in little change in the European Monetary System.



The overall strength of the dollar, which at one time touched an 11 1/2-year high against the D-Mark, helped to keep pressure in the system in check. The Belgian franc remained the weakest member, but a continued slight improvement by the currency meant the Belgian National Bank was able to stay on the sidelines.

AMEH GROUP, the Finnish tobacco, paper and publishing company, is to acquire the Korpiviera Group in a deal worth FM 237m (\$40m).

HONG KONG'S Mass Transit Railway Corporation approved the issue of HK\$500m (\$63.7m) in floating rate notes - the colony's first Hong Kong dollar FRN.

ACQUISITIONS and mergers of UK companies rose 7 per cent in the second quarter, but their value was 32 per cent lower than in the first quarter.

POLAND is having to rely more than ever on sales of coal and raw materials for export earnings as hard currency sales of engineering products have plummeted.

A BITTER row has broken out between Singapore International Airlines and Air Lanka of Sri Lanka over air services between Singapore and Colombo.

ULTRAMAR, the energy and shipping group, has cancelled orders for five oil tankers being built by a Spanish shipyard because of delivery delays.

IC INDUSTRIES, Chicago-based conglomerate formed around the Illinois Central Gulf Railroad, has signed a definitive agreement to acquire Pneumo Corporation, a leading supplier of aircraft components for \$360m.

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

China plans reshuffle to bring in younger leaders

BY MARK BAKER IN PEKING

THE CHINESE leadership is considering an extensive reshuffle of top positions in the bureaucracy and the Communist Party. The changes, expected before the end of the year, could see three of the most senior government ministers replaced and new appointments to the powerful standing committee of the politburo.

Well-informed diplomats believe the changes, under discussion for several months, are being designed to consolidate a younger government leadership. They would enhance the already firm control of China's paramount leader, Deng Xiaoping, and his key lieutenants, Premier Zhao Ziyang and party general secretary, Hu Yaobang.

It is believed that at least six ageing ministers are being considered either for promotion out of their existing jobs or a sideways move. The three most important

changes are expected to involve the Ministers of Foreign Affairs, Defence and Trade. Diplomats believe the most likely moves are:

● Wu Xueshan, the Foreign Minister, to be promoted to a senior advisory role.

● Wu, who is well respected and a close ally of Premier Zhao, would remain a member of the State Council, China's cabinet, but take a bigger role in foreign policy planning and in liaison between the party and the State Council on foreign affairs matters.

● Zhang Aiping, the Defence Minister, to relinquish his ministerial post.

Zhang, who is 74, would probably also have to give up his position on the State Council to his successor, but would remain on the military commissions of the party and the central government.

Chen Muhua, the Minister for Foreign Economic Relations and Trade, to be moved and effectively demoted.

There has been strong criticism within the hierarchy of her handling of the portfolio and of continuing bureaucracy and inefficiency within the department. She would probably remain on the State Council, but with reduced influence.

Another minister thought to be under consideration for replacement is Wan Bingqian, the Finance Minister.

One or two new appointments to the politburo standing committee before the end of the year are also thought likely.

The six-member standing committee - which includes Deng Zhao, Hu and the president, Li Xiannian - represents the core of power in China.

The critical factor in any changes is the health of its oldest member, 66-year-old Marshal Ye Jianying, who was a backer of the deposed Hua Guofeng, China's leader after the death of Mao.

Despite a gradual deterioration in his health over the past two years, he has refused to relinquish his official positions.

Chinese sources say that he has been close to death for the past three weeks. He is being fed intravenously and a tracheotomy has been performed to assist his breathing.

His death will open an important vacancy in the committee and some diplomats believe that an extra position will be added at the same time that he is replaced.

The most likely candidate for promotion to the committee is be-

lieved to be Wan Li, the present Senior Vice-Premier.

Li is close to Premier Zhao and has had a leading role in implementing China's extensive agricultural reforms over the past few years.

His promotion could pave the way for Li Peng, a Junior Vice-Premier, to move into the Senior Vice-Premier's post. Li was one of the rising stars of the Government, is at present in charge of energy policy.

If a seventh position is created in the politburo standing committee Peng Zhen, the chairman of the National People's Congress, is considered a possible candidate.

Peng has been a member of the Chinese Communist Party even longer than Deng Xiaoping and is said to be demanding recognition for his long service. But his age, 82, might militate against his appointment.

On balance, the signs are good that the 1988 Games will open as

Regan pledge against bearer bonds fails to end 'repackaging' row

BY PETER MONTAGNON IN LONDON AND WILLIAM HALL IN NEW YORK

MR DONALD REGAN, the U.S. Treasury Secretary, has moved to scotch speculation that the U.S. is planning to issue bearer bonds to foreigners which would compete heavily for investors' money in the Euromarkets.

"The Treasury Department has no plans to issue bearer securities," he said in a letter to Senator Robert Dole, the Republican Chairman of the Senate Finance Committee.

Although Mr Regan's reassurance was welcomed by some of the Administration's critics, it failed to defuse the growing political row in Congress over the way the Treasury plans to sell its debt to foreign investors.

Last week's highly successful overseas issue of "repackaged" U.S. government-backed securities in bearer form led by Salomon Brothers which could turn out to be the first of many such issues, has been strongly criticised by some members of Congress, who fear that it will open the door to tax evasion by U.S. citizens.

On Friday the Senate adopted a non-binding resolution to end the sale of this type of security to foreigners in bearer form and ordered the U.S. Treasury to take steps to prevent the sale or resale of securities in bearer form backed by U.S. government securities. Similar

legislation was introduced in the House of Representatives.

Senator Howard Metzenbaum, the Ohio Democrat who introduced the amendment, accused some of the "largest investment banking houses" in the U.S. of moving to circumvent the will and intent of Congress. He said that the practice of selling altered Treasury securities in bearer form abroad should be "condemned".

The Salomon Brothers issue follows the passage last month of U.S. legislation repealing the 30 per cent withholding tax charge on interest paid to foreigners. The legislation left open the possibility for the Treasury to issue bearer bonds if it wished.

The U.S. Treasury has not yet disclosed details of how the repeal of the withholding tax will work in practice, but says that it intends to issue regulations shortly covering

the issue of various types of altered Treasury securities abroad. It is in the U.S. Treasury's interest to tailor a security specifically aimed at foreign investors, but bankers argue that unless the securities are in bearer form, where the name of the investor is kept anonymous, foreign demand will be limited.

U.S. securities issued in bearer form on virtually equal footing with Eurobonds make life difficult for new issue managers in Europe.

Following the congressional criticism, U.S. bond prices fell sharply on Friday afternoon and the U.S. Treasury felt it necessary to issue a statement to clarify the confusion in the government bond market.

It said that the Senate resolution would not affect "in any way" the issue of securities prior to the action, and said it would not disrupt "any plans the Treasury Department or others have for the issuance of such securities".

As for the Treasury's current study on simplifying the U.S. tax system, due to be completed in December, Mr Regan said that his personal preference was for a broader tax base and lower rates. Americans were becoming "more and more fed up" with the country's labyrinthine tax system, he said.

Lex, Page 10; Reshaping UK gifts, Page 3

Brazil likely to reject new IMF monetary limits

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL opened a new round of negotiations today with the International Monetary Fund (IMF) on revising its three year adjustment programme. The negotiations are expected to lead to a signing of another letter of intent - the country's sixth in 19 months.

The revision to the present letter of intent finalised only five months ago, is necessary because of Brazil's failure to bring inflation under control. This in turn has provoked an overshoot in the money supply and monetary based indices well beyond the limit set by the IMF.

Brazilian officials suggest that the visiting IMF team led by Sr Eduardo Wiesner Duran, head of the Western hemisphere division, will urge Brazil to apply more austerity.

This is likely to be rejected by the Brazilian authorities, headed by Sr Antonio Delfino Netto, the Planning Minister, who now believe that inflation in Brazil is being fuelled by supply, not demand factors.

Inflation in the 12 months to the end of July was 218 per cent, an annual rate six times greater than that optimistically forecast last year for the last quarter of 1984.

Under the fifth letter of intent, both the money supply and monetary based targets were permitted to grow by only 50 per cent this year. However in the 12 months to June, central bank figures show that money supply was up 112 per

Seoul searching for Games without discord

BY ANDREW WHITLEY IN LOS ANGELES

IN BEST tradition, the Olympic Games closed in Los Angeles last night by limping into the sunset. The credits rolled, and the Olympic flame was extinguished. Yet even as it flickered, realisation dawned that the Olympics were still in business and had once again survived their own assault course.

Politically, the Olympic movement faces four years in the wilderness, during which the International Olympic Committee (IOC) will seek to prevent a repetition of the boycott by the Soviet Union and its allies which marred the Games of the past two weeks.

On balance, the signs are good that the 1988 Games will open as

planned in South Korea, though who will be there, and who will not, is impossible to say. The Koreans are spending heavily. The total cost of the 1988 Games will be at least \$3bn - far more than Los Angeles spent - though that includes some private investment, plus spending on civic infrastructure.

Mr Lee Jae Hong, a spokesman for the Seoul Olympic Organising Committee (SIOC), says a direct cost figure of \$1.6bn includes construction of new sports facilities, running expenses, and personnel and administration costs.

A further \$1.4bn, to be paid by local and central government, includes spending on roads, subways, the Seoul air terminal, communications and public transport.

These sums are reflected in South Korea's current five-year social and economic development plan. Income will be derived from five sources: marketing of the Games; emblem and mascot sales; the sale of TV rights; ticket sales; sale of commemorative coins and a weekly lottery.

Michael Thompson - Noel reports from LOS ANGELES

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Further UK interest rate cuts tied to strength of sterling

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government is eager to engineer further cuts in interest rates this week or next provided the pound retains its recent strength on the foreign exchange markets.

The Bank of England is expected to hold back for a day or two, to give time for the foreign exchange markets to assimilate last week's one percentage point cut in banks' base lending rates to 11 per cent.

The Treasury is anxious to get back on track towards interest rates of 10 per cent or less as soon as possible, however, to help give a downward push to inflation and to pay settlements in the coming wage round.

This is particularly important in view of the Treasury's efforts to limit the rise in next year's wage bill for public servants to 3 per cent. The cabinet is expected to agree formally to the 3 per cent public sector "pay factor" for the next financial year soon after ministers return from holiday.

There is anxiety within the Government that the announcement of a 3 per cent pay factor might lead to an upsurge in militancy amongst public sector trade unions if the inflation rate were seen to be rising rather than falling by this autumn.

Although a 3 per cent pay factor would be the same as that applied in the current financial year, it would imply a further squeeze on real incomes in the public sector even if the inflation rate falls to 4 per cent which the Government is hoping for next year.

For the rest of this year the inflation rate will be crucially influenced by the level of interest rates. Inflation has been stable at an annual rate of around 5 per cent for the last 12 months. However, the retail prices index for this month will be pushed up by almost 1 per cent as a result of the 2.25 percentage point rise in interest rates on home loans to 12.5 per cent in July.

Building societies, the main source of home loans, raised their rates in response to a two-stage increase in banks' base lending rates from 9.25 per cent to 12 per cent as sterling weakened in July.

The Government is extremely anxious that the societies should bring down their rates at least part of the way to previous levels. The societies have made it clear, however, that they will not consider a move unless interest rates generally fall considerably further.

The prospects for such a fall hinge on the fortunes of the pound

on the foreign exchange markets, and this in turn will depend to a considerable extent on sentiment in the markets about the future of the UK coal miners' strike and the likely support from other unions.

The Government and the Bank of England have repeatedly denied that they have a target for the exchange rate, but it is clear that they will be unwilling to reduce the incentive for investors to put their money in sterling assets, if there is any sign of a serious slide in confidence.

On the other hand, the Government is anxious to bolster the foreign exchange markets' confidence that inflation - and public sector wage costs - are now under control. High interest rates can undermine that confidence and the signs are now that officials will be testing the idea that a steady, but gradual, fall in interest rates may even stiffen confidence in the pound.

For this reason the Bank of England would probably like to encourage some further downward movement in market interest rates, even if a further cut in base rates has to be postponed.

Interest rate illusions, Lombard, Page 9



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OVERSEAS NEWS

Polish ship hit as naval force gathers in Suez

BY TONY WALKER IN CARO

AN INTERNATIONAL naval force of minesweepers and support craft is gathering in the Red Sea and the Gulf of Suez to assist Egypt in clearing mines that have damaged at least 17 ships since July 8.

Egyptian minesweepers, assisted by U.S. mine warfare experts, have been scouring the Gulf of Suez for more than a week in search of the mines. On Friday, President Hosni Mubarak of Egypt said Iren and Libya were suspected of planting the mines though he could not be 100 per cent sure.

Gandhi may extend direct rule in Punjab

By John Elliott in New Delhi

FACED WITH continuing violence and political uncertainty in the Punjab, the India Government is finalising plans for constitutional changes which would enable it to continue to run the predominantly Sikh state without democratic institutions for another year.

Brazilians select leadership rivals

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S two leading political parties, the government-backed Partido Democratico Social and the Opposition Partido do Movimento Democratico Brasileiro formally selected their candidates over the weekend for the electoral college which meets in January to choose the country's next leader.

Coincidentally next week marks the 30th anniversary of the suicide—in office—of President Vargas, a populist and ardent nationalist whose death traumatised the country at the time.

On the extent to which the Government backs its official candidate. As an ardent supporter of free enterprise, and an internationalist, foreign businessmen and bankers would probably prefer to see the former Sao Paulo Governor as President.

The PDS as running-mate for Sr Neves. The nomination of Sr Jose Sarney, a federal senator who resigned only three months ago from his party's presidency, was the price demanded by a break-away faction of the PDS for its support of the Opposition candidate.

Kohl hits out at 'senseless propaganda'

By Jonathan Carr in Bonn

CHANCELLOR Helmut Kohl has sharply rejected a Soviet Press charge of "revanchism" in West Germany, and stressed that his Government will continue to fulfil its treaty commitments with Moscow.

'Do-nothing' Democrats attacked

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan used his weekly radio address to the nation to lash out at the Democrats for blocking Congressional legislation that he said was favoured by "the overwhelming majority of Americans."

Trueman applied the "do-nothing" description to the Republican-dominated Congress in the 1948 election, in which he too ran against Congress as much as against his official opponent.

American people of democracy of putting issues to the test of a vote. Mr Reagan's remarks drew a sharp rejoinder from Mr Tip O'Neill, the Democratic House speaker, who said that if the President really cared about his agenda he would have stayed in Washington to work on it and not gone on vacation at his California ranch.

President seeks reshuffle in Costa Rica

By Tim Cooney in Managua

PRESIDENT MONGE of Costa Rica has called for the resignation of his entire Cabinet with the aim of carrying out a major reshuffle.

His Government has been under heavy pressure over the past two months following the opening of a Right-Left breach within the Cabinet, an ineffectual foreign exchange crisis and the banana workers' strike in the U.S.-backed Nicaraguan counter-revolutionaries operating within the country, and Sr Alfonso Carr, Minister of Government, a right-winger who is widely viewed as being a supporter of the Nicaraguan guerrillas.

Israeli Government denies Lebanon pull-out plan

BY DAVID LENNON IN TEL AVIV

ISRAEL'S FORCES could be withdrawn from Lebanon within two months, according to Israeli Radio. But the interim government has no intention of taking any decision on a pull-back at the moment.

Cabinet yesterday that the radio report was untrue. However, it is understood that the radio reporter had indeed been informed by a senior army officer that from the logistical point of view it would be possible to carry out a complete withdrawal within two months, once the politicians gave the go-ahead.

Sri Lanka bomb blast mystery

BY DAVID LENNON IN COLOMBO

MYSTERY surrounds a bomb blast which killed 19 people at a police station in Chamunakam on the outskirts of Jaffna, capital of the mainly Tamil Northern Province of Sri Lanka, a Reuters reporter said yesterday.

U.S. may sell more missiles to Saudis

BY OUR U.S. EDITOR IN WASHINGTON

THE State Department confirmed that the U.S. is discussing new arms sales to Saudi Arabia, including the supply of additional air-to-air Sidewinder missiles.

The department, however, would not confirm a Washington Post report that the Saudis had asked for a total of 10,000 Sidewinders at a cost of perhaps \$270m (£208m). It said no decision had yet been taken.

U.S. officials said that while the Administration was favourably disposed to the Sidewinder sale, it did not want to submit it to Congress until next year. The Administration is concerned that the sale, which would probably be strongly opposed by Jewish groups, might become an issue in November's elections.

Turkey raises interest rates

By David Barchard in Ankara

TURKEY has raised interest rates less than one week after a team from the International Monetary Fund left the country amid official denials that Ankara had breached monetary guidelines agreed with the Fund, writes David Barchard from Ankara.

Three month term equivalents will now earn interest equivalent to 53 per cent annually, while six month money will earn 62 per cent. It is the fourth increase in interest rates since the Government took office eight months ago.

Poll setback for Mitterrand

BY DAVID MARSH IN PARIS

PRESIDENT Francois Mitterrand has faced an initial setback in his hopes of winning the poll, the latest in a series of monthly surveys carried in the Journal du Dimanche Sunday newspaper, it indicates.

The poll, the latest in a series of monthly surveys carried in the Journal du Dimanche Sunday newspaper, it indicates. The electorate has been affected by continuing gloomy news on unemployment and a summer round

of administered price rises than by last month's ministerial switches. Further trade union criticism of government action on jobs came at the weekend with a statement from the Left-wing CGT and CFDT confederations complaining about delays agreeing a rescue plan for the group Creusot Loire.

WORLD TRADE NEWS

Greece to buy more arms

By Antonia Ierodiakonou in Athens

GREECE PLANS to place further orders for military equipment in addition to buying 100 fighter aircraft by the end of 1984, Mr Antonis Drososyianis, the Greek alternate Defence Minister, announced at the weekend. Greece is expected to choose one or more from a preliminary list including British-made Chinook tanks as well as American M-40s, West German Leopards and French AMXs.

BURDEN SHIFTS TO COAL Polish engineering export sales plummet

BY LESLIE COLTIT IN WARSAW

POLAND is being forced to rely more than ever for its export earnings on sales abroad of coal, sulphur, copper, silver and lead, although prices are weak and the hard currency returns do not match the increased sales.

Western orders for Polish ships are scheduled to run out by 1988 as demand remains weak for the type of ships in which Poland specialises. Hard currency sales of other Polish industrial specialities such as sugar mills, sulphuric acid plants and cement plants have been severely hit as they were bought mainly by Third World countries which have had to slash imports.

Singapore-Colombo flights row

BY OUR SINGAPORE CORRESPONDENT

A BITTER row has broken out between Singapore International Airlines and Air Lanka of Sri Lanka over air services between Singapore and Colombo, with SIA privately threatening to stop its flights through Colombo to four a week under the agreement.

SHIPPING REPORT Charterers hold whip hand

Financial Times Reporter

QUIET conditions in the tanker market persisted last week and even renewed attacks in the Gulf seem to have passed without any repercussions being felt.

Ultramar cancels ships order

By David Lawson

DELIVERY delays have led Ultramar, the energy and shipping group, to cancel five bulk carriers being built by a Spanish shipyard. A sixth is expected to suffer the same fate.

Rheumatism drug ban demand rejected

THE anti-rheumatic drugs Butazolidin and Tanderil, products of the Swiss pharmaceutical group Ciba-Geigy, are to remain on sale in the U.S., following the rejection of a consumer organisation's petition to have the drugs banned, John Wicks reports from Zurich.

WORLD ECONOMIC INDICATORS

Table with columns for Country, Jan 84, May 84, Apr 84, June 83, % change over previous. Rows include West Germany, France, Italy, Netherlands, Belgium, U.S., Japan.

Singapore-Colombo flights row

BY OUR SINGAPORE CORRESPONDENT

Signed in 1979, has helped the Sri Lanka airline get itself established through the secondment of staff, technical assistance and management advice.

SHIPPING REPORT Charterers hold whip hand

Financial Times Reporter

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Vertical text on the right edge of the page, including 'Yorks', 'Base', 'chan', '11.0', 'Yorks'.

UK NEWS

BR warned not to 'alienate' trade unions

By Our Labour Staff

MR BOB REID, chairman of British Rail, was yesterday warned he would alienate the trade union movement if he persisted in urging 120,000 railmen to ignore their union leaders and work normally. Mr Charles Turnock, senior assistant general secretary of the National Union of Railwaymen (NUR), said "I am surprised someone like Bob Reid, who has been in the rail industry so long, is displaying this attitude. Approaching workers over the heads of their unions in this way has happened in other industries but I never thought it would come about in the rail industry and it is sad that it now has."

Sinclair Research to go public in 1985

BY JASON CRISP

SINCLAIR Research, the leading British home computer company founded and owned by Sir Clive Sinclair, plans to go public on the London Stock Exchange early next year, probably in February. The flotation, once scheduled for early this year, had to be put back following problems in the U.S. and a succession of delays with new product launches in the UK. The new date is slightly earlier than expected. By then Sinclair

hopes to show that the results for the current financial year, ending March 1985, will show a marked improvement. In the next few weeks Sinclair Research is expected to report disappointing pre-tax profits of £14.5m for the year to March, only slightly better than the £14.03m in the previous year. Sales are thought to have risen by about £25m to £30m. British financial institutions which invested £13.6m in a private placement of 10 per cent of

Sinclair Research's equity in January have been concerned about the lack of growth in profits and the bad publicity which has surrounded the company this year. The reasons for the poor growth have been the loss of royalty revenues from the U.S. and the high costs of launching new products in the year. Last year Times, which sold Sinclair home computers in the U.S., withdrew from the market in the wake of a price war.

In Britain Sinclair Research launched its black-and-white pocket television set and the QL computer, the sales of which are only just starting to build up. Sir Clive, who has been spending a large amount of time on an electric car project disconnected with Sinclair Research wants to be seen to be closely involved again with the company's activities. He is seeking to reassure potential investors that the company is still benefiting from his innovative abilities.

His major concern is the so-called "fifth generation" of computers. Most of the work being done by Sinclair's research team in Cambridge is on this project, which will take the company into much broader areas of computing. Sir Clive wants Sinclair Research to become one of the world's ten leading computer groups within five to ten years, with an annual turnover of around \$50m.

Outlook for civil engineering still poor

By Joan Gray, Construction Correspondent

THE WORKLOADS of Britain's civil engineering companies are picking up, but the outlook is still gloomy, according to the latest survey from the Federation of Civil Engineering Contractors (FCEC). The FCEC found that 9 per cent of the 224 member companies it surveyed had no civil engineering work on their books at present, compared with 14 per cent in its last workload survey three months ago. The present recovery is restricted to the very largest companies, employing more than 1,000 people. These all said they now had civil engineering work on their books. Smaller companies are still suffering from reduced order books, with 25 per cent of those companies employing between 500 and 1,000 people having no civil engineering work at present. "The improvement is pretty marginal when you look at the way it is distributed," Mr Jack Bowe, FCEC deputy director general, said. "The slight improvement in order books for larger companies is welcome, but it is from such a low base that you can't wave any flags yet."

BA in tough route challenge

FINANCIAL TIMES REPORTER

THE FIERCE fight by the UK independent airlines to take over routes from British Airways (BA) showed little sign of easing after apparent concessions by the state-owned carrier at the weekend. BA said on Saturday it would oppose the recent applications by British Caledonian (BCal) to compete alongside it on 12 international routes. Mr Colin Marshall, chief executive of BA said yesterday: "British Airways has challenged British Caledonian to come alongside us on any route it wants to fly."

BCal and BA shows little sign of abating. Sir Adam Thomson, chairman of BCal, said at the weekend: "We welcome this shift in the BA position. They appear to recognise the need for a number of British airlines to compete with each other in the consumer interest. But their statement has a hollow ring. Airlines cannot compete unless they have equal access to the market, not just a section of it, the size of which is being decided by BA."

The move was the first concession by BA since the Civil Aviation Authority (CAA) made its controversial proposals for restructuring the industry in a report to the Government. It recommended transferring some of BA's routes to the independent carriers. The Government has set up a cabinet committee to try to settle the row. But the war of words between

Backing for trade body

BY ERIC SHORT

INSURANCE COMPANIES operating in the UK have given overwhelming support to the formation of a new trade body - the Association of British Insurers (ABI). A special meeting last week of member companies of the British Insurance Association (BIA), at present the main insurance body, gave approval to the establishment of the ABI. At present there are more than 10 separate and largely autonomous associations covering various sections of the insurance industry, this proliferation arises primarily from the way the industry developed earlier in the century. The BIA has been considering for

some time how insurance companies can organise a trade structure that will be effective under current conditions. Its aim has been to create one powerful representative body that would make an impact on Government, politicians and the public, operated by an effective permanent staff of high calibre people under a chief executive. The result of these deliberations is the proposed formation of the ABI, a unified body headed by a leading figure in the UK insurance industry. General insurance (short-term) and life and pensions (long-term) would have separate functions within the unified structure.

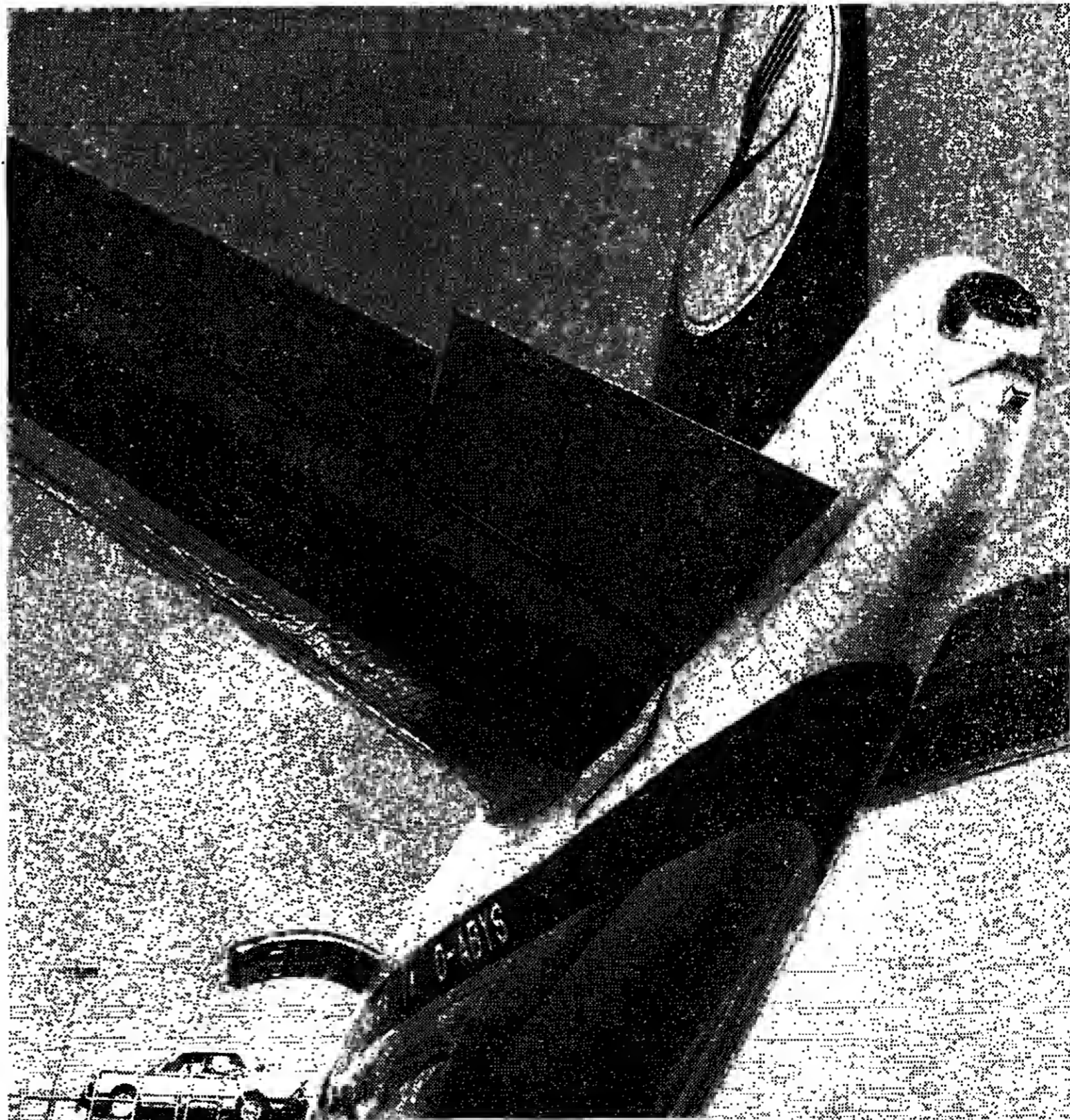
Gilts market faces 'astronomic change'

BY MICHAEL PROWSE

BRITAIN'S gilt-edged (government security) market is to be refashioned in the image of the U.S. Treasury bond market. The Council of the London Stock Exchange has published details of a new dealing structure which would be introduced after the abolition of minimum commissions in 1986. The proposals follow extensive consultation with the Bank of England and with market practitioners. Mr Mike Higgins, a partner at W. Greenwell, a leading gilt-brokers, said the proposals amounted to "an astronomic change". The new dealing system is an elaboration of proposals in the stock exchange's April discussion paper, which met with a "broadly favourable" response. The council suggests there should be four types of firm in the new look gilt market - broker-dealers, market makers, inter-dealer-brokers and money brokers. All would be stock exchange members and subject to its regulation. Broker/dealers would be able to act as both principal and agent although many are expected to choose to act only as agents. Market makers would be broker/dealers who enter into a dealing relationship with the Bank of England and who undertake to make two-way prices in gilts on demand. The council suggests that they should make continuous markets in a full range of securities, although a limited degree of specialisation may be permitted initially. Market makers will tend to act mainly as principals and will have direct access to the Bank of England. They will be the equivalent of U.S. primary dealers. The third type of firm operating in the new gilt market will be the inter-dealer-brokers (IDBs). They will transact deals between the market-makers, enabling them to keep their positions hidden and to redistribute their risks. In New York, much of Treasury bond trading is through IDBs, as market makers undo their customers' trades and hedge parts of their book.

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UK NEWS

One killed in clash over banned IRA fund raiser

BY OUR BELFAST CORRESPONDENT

ONE MAN died and several other people were seriously injured yesterday when violence flared during an attempt by police to arrest an IRA supporter banned from entering the UK at a rally in West Belfast.

Mr Martin Galvin, Noraid's publicity director in the U.S., was in Northern Ireland in defiance of a Home Office exclusion order signed by Mr Leon Brittan, the Home Secretary.

Noraid is the U.S. organisation which raises funds for the IRA. Police wielding batons fired plastic bullets as they attempted to arrest Mr Galvin in line with the exclusion order. Stones were thrown at police and the response was immediate. Police vehicles drove into the crowds of supporters.

The incident happened as more than 1,000 demonstrators supporting the IRA held a rally at the Busy Bee Centre at Andersons Town after a march along the Falls Road to mark the 13th anniversary of the introduction of internment without trial in 1971.

The traditional August 9 commemoration ceremony which lasts several days ends with the rally and march on a Sunday.

A preliminary statement from the Royal Ulster Constabulary (RUC) headquarters said: "A man

resembling Martin Galvin appeared on the platform. Police moved in an effort to make an arrest.

"The was a confrontation and a number of people were injured. One man died." RUC headquarters said they had no immediate details about the number of plastic bullets fired during the incident.

Mr Gerry Adams, Sinn Fein MP for West Belfast, introduced Mr Galvin to the crowd after addressing the rally.

According to a Sinn Fein spokesman Mr Galvin managed to evade capture and a senior RUC officer confirmed that the Noraid director had not been arrested. Press and radio and television crews covering the rally were among those who fled as police moved in at the beginning of the incident. Mr Galvin brushed the exclusion order several days ago when he appeared in Londonderry to give an interview to a local newspaper.

On Saturday there were scuffles between mourners and police when members of the Noraid delegation attended the funeral of IRA terrorist Brendan Waters in Newry, Co Down. He died when a blast bomb exploded prematurely in his sister's home in Newry on Wednesday night.

Politicians were last night questioning the wisdom of the Govern-

BORING, totally boring, is how the world's major fashion houses classify the clothes that high-powered business men and women wear. As a result the FT's list of best-dressed business people is top-heavy with immaculate business stereotypes, as opposed to true fashion trend-setters.

Why does business equal boring when it comes to clothes? The top fashion houses refused to speak on the record, for fear of hurting their clients' feelings, but one young member of a top firm explained: "Too many people think of their business suit as their uniform. Their fashion sense has wasted away from years of buying the same suit from the same shop."

Another big problem is the shape of business people. Beautiful clothes look terrible on men who show the results of years of business lunches at their waistlines.

In fact, a beautiful body has in some cases been the deciding factor for some of the names on the list. Richard Giordano, chairman of BOC, is a joy to make clothes for because his tailor says his shape is "impressive".

Requirements for inclusion on this list were that candidates had to be full-time business people - no titled playboys or ageing rock stars considered - and be well-dressed in the opinion of fashion experts including Savile Row tailors, international couturiers, and fashion and business journalists.

The two Italians on the list are the only ones who would be candi-

Carla Rapoport finds little to enthuse about the best-dressed business leaders



BEST DRESSED BUSINESS PEOPLE (In alphabetical order)

- Gianni Agnelli
- Betsy Bloomingdale
- Alain Chevalier
- Richard Giordano
- Lord Hanson
- John and Christina de Lorean
- John Opel
- Karl Otto Pöhl
- Barbara Thomas
- Mario D'Urso

dates for any best-dressed list by international standards. Of the two, the untested champion of business fashion is Gianni Agnelli, chairman of the Fiat Group. A silver-haired 63-year-old, Sig Agnelli not only dresses beautifully, but he launches trends among Italian businessmen anxious to capture some of his glamour for themselves.

Some of these trends are downright ridiculous, such as when Agnelli wears his wrist-watch outside his shirt or allows his tie to hang outside his sweater, rather than tucking it in. But, unlike most on the list, he is not afraid to take

chances and openly admits to preferring jeans to business suits.

On the topic of taking chances, John Harvey-Jones of ICI stands out a mile. Although he is not included on the list itself Harvey-Jones deserves a special commendation for persisting with his un-charismatic hair and outrageous ties.

Mario D'Urso, the smooth Milan-based merchant banker, is included for his passion for Caraceni suits, which he buys three at a time. Caraceni in Milan, considered among the world's top business tailors, confirms that the 44-year-old Sig D'Urso is a cherished advertisement for

their wares. Again, one gets the impression that a lean, fit man is much more beloved by tailors than the awkwardly-shaped sort.

Our panelists say that Alain Chevalier, of M&G Hennessy is "remarkably dapper." This means that he is an admirably dressed man of slight build and less than average height.

In West Germany, Karl Otto Pöhl, of the Bundesbank, gets the most votes for avoiding pin-stripe suits and tending toward lines and trousers with turn-ups. His American-style loafers also get high marks, perhaps only because they relieve the tedium of all those similarly shod German feet.

In Britain our panelists nearly drew a blank. Summing up the British attitude to fashion, the editor of a major Fleet Street newspaper admitted that he could not tell the difference between a Burton suit and one from Savile Row. Further, it is generally agreed that tall British men cannot seem to keep their shirts tucked in.

Mr Giordano of BOC is an American, so he can't represent Britain. Sir Alistair Frame at RTZ uses the same tailor as Giordano. He is Alexander Saluberry, a 60-year-old on Savile Row who still charges less than £400 a suit. But he and Nigel Brookes of Trafalgar House were discarded for being "too tailored." We settled on Lord Hanson because his attention to detail makes him the perfect example of Savile Row at its best. He always wears black shoes, always.

In the U.S. where three women join the list, Betsy Bloomingdale is something of a cheat because, as an owner of New York's well-known department store, she is associated with the fashion business. But she is also a businesswoman who represents the best of the designer labels with a good deal of flair. She has also done wonders for the White House wardrobe.

Barbara Thomas, an analyst for Samuel Montagu in Hong Kong, appears because she is not afraid to look like a woman when she reports for work. The advent of women executives has been a field day for unimaginative tailors who have fashioned men's clothing to fit women. This uniform has been adopted by the "Dress for Success" brigade, but thankfully, appears to be waning in popularity.

John de Lorean and his wife, Christina, make the list as proof that even when times are bad, there's no reason for not dressing well. John Opel, head of ICI, is included because he represents the pinnacle of the pin-striped brigade. "Well-dressed in the IBM mould, if you know what that mould is," says an admirer.

As far as Mr Opel's office was concerned, he would be "unopposed" to be included in the list. But if even the people at the top do not like to admit to being well-dressed what hope is there for business fashion?

Tomorrow: The 10 best dressed vestiges of the century.

Peter Marsh looks at the mission by a group of British astronauts.

Spacefarer - just another job

COMMANDER PETER Longhurst puts astronaut training on a par with learning to live in a submarine or driving a tank. "It's like everything else in life - once you've decided on something you've just got to go and do it."

It is with this mixture of military discipline and a determination to treat the role of spacefarer as just another job that Britain's small squad of astronauts is preparing for two flights on U.S. space shuttles in about 18 months' time.

Commander Longhurst, a weapons engineer from the navy, is the leader of the team. The others are Mr Christopher Holmes, a Ministry of Defence (MoD) scientist; Squadron Leader Nigel Wood, a former test pilot; and Major Richard Farnham from the army.

Two men from the group are due to take to space on separate flights to assist in the launch of a couple of British military satellites, part of the Skynet series.

The other two in the team will act as back-ups for each flight, stepping in if either of the chosen candidates falls ill. The MoD is due to choose the exact roles for the men next summer.

Since Mr Michael Heseltine, the Defence Secretary, announced the team to a barrage of publicity in March, the squad has been concerned mostly with the more mundane aspects of space flight. Commander Longhurst and his crew are

officially part of the distinctly unglamorous procurement executive of the MoD.

Much of their time is spent in civil-service offices in central London, checking that British Aerospace, the main contractor for the two satellites, is on schedule.

The men take pains to stress the down-to-earth nature of their job. Of course, to enter space is no longer out of the ordinary. Almost 150 people, from 14 countries, have left the atmosphere.

Three Soviet cosmonauts are spending their sixth month caring around the world in a space station - with the world's press showing no more than a modicum of interest.

The chosen British astronauts are spending their sixth month caring around the world in a space station - with the world's press showing no more than a modicum of interest.

The chosen British astronauts will enter orbit as guests of the U.S. National Aeronautics and Space Administration. Their role during each flight will be minor. The men are officially described as payload specialists - they will be advisers to the four or five full-time astronauts on each mission.

Their main job will be to check hardware in each satellite before it is ejected into orbit from the space shuttle's cargo bay.

Depending on detailed discussions with NASA over the next year or so, the UK space voyagers may also have the chance to key in commands into a computer to instruct rocket motors to kick the satellites into the heavens.

To launch the spacecraft will take up only a fraction of the time of each flight. The team is examining scientific experiments that it could carry out during the rest of the mission. "We want to achieve the most that we can from going into space," says Squadron Leader Wood.

Two possible experiments are under study. Both depend on NASA's agreement.

In the first experiment, a UK astronaut would test how the zero gravity of space flight affects the motion of liquid in coolers. This would provide engineers with hints about how to design the fuel tanks that supply the small thrusters on satellites.

In the second study, one of the team would try to shed light on why astronauts commonly suffer from a type of travel sickness.

Scientists think that, under zero gravity, signals to the brain from the eyes are out of synchronisation with messages from the body's balancing mechanism in the inner ear. In the experiment, one of the UK team would record with electrodes the movements of the eye muscles of his fellow astronaut.

The information could help doctors to understand the basic mechanism behind the sickness, which commonly stops astronauts working at their fullest potential, particularly during their first few days in orbit.

The British astronauts will be-

come further acquainted with the intricacies of space medicine next month. They are to journey to NASA's Johnson Space Centre in Houston for medical tests. Only if the men pass will they be allowed to take part in shuttle flights.

The crew will then spend a week becoming familiar with launch procedures at the Kennedy Space Center in Florida, the base from which shuttle flights start.

Full training for the jobs that the men will do in space will get under way in the U.S. only from next summer. The instruction will be nothing like as rigorous as that for NASA's full-time team of astronauts, who number about 70.

The space administration plans that payload specialists such as the Britons will be shuttle flights be come more routine, come aboard with as little as a few weeks' notice. NASA is even thinking of extending this principle to members of the public, to give "opinion formers" such as journalists the chance to discover what life is like outside the atmosphere.

A reminder that space travel is becoming institutionalised was the formation last month of a professional association for European astronauts.

Three West Germans, two Frenchmen, a Swiss and a Dutchman attended the first meeting. All are in training for space missions.

Clerical staff keep ahead of inflation

By David Lawson

CLERICAL and manual workers are increasing their earnings by well above the rate of inflation, and pay settlements look set to remain in the 5 to 7 per cent range, according to a report published today.

Manual workers' earnings increased by 6.5 per cent in the year to mid-May, mainly because of an increase in hours worked, says the report by Reward Regional Surveys. This compares with 6.5 per cent recorded six months previously.

Clerical workers' total earnings rose by 6.8 per cent (6.3 per cent), raising average annual pay to £5,214 compared with the average manual worker's £3,212.

Basic pay rates - after bonus, overtime and other payments are stripped out - showed less of a change over the six months. But manual workers still registered an increase of 7.2 per cent (6.2 per cent) and clerical workers 6.8 per cent (6.3 per cent) when the retail price index rose by only 5.1 per cent.

The report concludes that the outlook for inflation is poor, as pay settlements look as though they will remain above the rate of price increases, in the 5 to 7 per cent bracket.

Top skilled manual workers have held on to their 20 per cent pay differential over clerical counterparts, with average annual pay of £9,000 compared with £7,519. At the bottom end of the scale, the difference is much less, at £3,692 compared with £3,458.

But the decline in manufacturing and the growth in services and high-technology business has improved the lot of clerical workers in the longer term.

The report shows average basic pay of a clerical worker increased by 108 per cent to £5,135 between 1976 and 1984. Average total pay for a manual worker rose by 22 per cent in the same time to £3,212.

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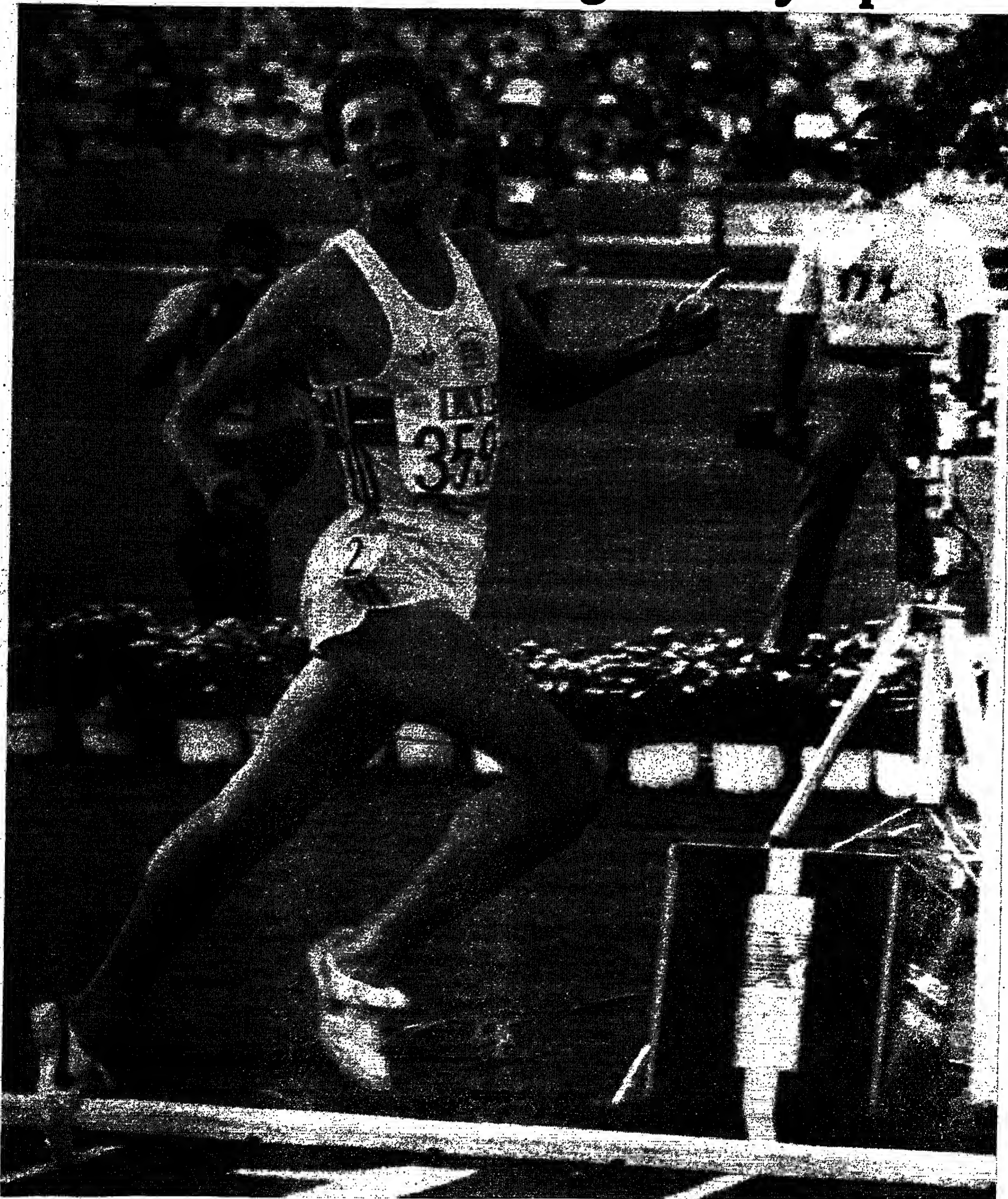
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16	1221	1824	2999	3743	4492	5332	6251	7170	7897	10298	11173	13457	15943	17560	18287	18723	19214
20	1224	1826	3008	3744	4495	5334	6257	7171	7898	10299	11174	13458	15944	17561	18288	18724	19215
21	1225	1827	3009	3745	4496	5335	6258	7172	7899	10300	11175	13459	15945	17562	18289	18725	19216
22	1226	1828	3010	3746	4497	5336	6259	7173	7900	10301	11176	13460	15946	17563	18290	18726	19217
23	1227	1829	3011	3747	4498	5337	6260	7174	7901	10302	11177	13461	15947	17564	18291	18727	19218
24	1228	1830	3012	3748	4499	5338	6261	7175	7902	10303	11178	13462	15948	17565	18292	18728	19219
25	1229	1831	3013	3749	4500	5339	6262	7176	7903	10304	11179	13463	15949	17566	18293	18729	19220
26	1230	1832	3014	3750	4501	5340	6263	7177	7904	10305	11180	13464	15950	17567	18294	18730	19221
27	1231	1833	3015	3751	4502	5341	6264	7178	7905	10306	11181	13465	15951	17568	18295	18731	19222
28	1232	1834	3016	3752	4503	5342	6265	7179	7906	10307	11182	13466	15952	17569	18296	18732	19223
29	1233	1835	3017	3753	4504	5343	6266	7180	7907	10308	11183	13467	15953	17570	18297	18733	19224
30	1234	1836	3018	3754	4505	5344	6267	7181	7908	10309	11184	13468	15954	17571	18298	18734	19225
31	1235	1837	3019	3755	4506	5345	6268	7182	7909	10310	11185	13469	15955	17572	18299	18735	19226
32	1236	1838	3020	3756	4507	5346	6269	7183	7910	10311	11186	13470	15956	17573	18300	18736	19227
33	1237	1839	3021	3757	4508	5347	6270	7184	7911	10312	11187	13471	15957	17574	18301	18737	19228
34	1238	1840	3022	3758	4509	5348	6271	7185	7912	10313	11188	13472	15958	17575	18302	18738	19229
35	1239	1841	3023	3759	4510	5349	6272	7186	7913	10314	11189	13473	15959	17576	18303	18739	19230
36	1240	1842	3024	3760	4511	5350	6273	7187	7914	10315	11190	13474	15960	17577	18304	18740	19231
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38	1242	1844	3026	3762	4513	5352	6275	7189	7916	10317	11192	13476	15962	17579	18306	18742	19233
39	1243	1845	3027	3763	4514	5353	6276	7190	7917	10318	11193	13477	15963	17580	18307	18743	19234
40	1244	1846	3028	3764	4515	5354	6277	7191	7918	10319	11194	13478	15964	17581	18308	18744	19235
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43	1247	1849	3031	3767	4518	5357	6280	7194	7921	10322	11197	13481	15967	17584	18311	18747	19238
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48	1252	1854	3036	3772	4523	5362	6285	7199	7926	10327	11202	13486	15972	17589	18316	18752	19243
49	1253	1855	3037	3773	4524	5363	6286	7200	7927	10328	11203	13487	15973	17590	18317	18753	19244
50	1254	1856	3038	3774	4525	5364	6287	7201	7928	10329	11204	13488	15974	17591	18318	18754	19245
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EDITED BY CHRISTOPHER LORENZ

Product design

How Deere brought style to farming

BY CHRISTOPHER LORENZ

ONE DAY in early 1987 a man wearing a fur coat and a straw hat turned up unannounced at Henry Dreyfuss' studio on New York's Madison Avenue and asked to see him.

Dreyfuss, designer of theatre-sets who had turned to industrial design and had built a successful consultancy, must have thought his visitor was a drama producer or an advertising copywriter. His name, Elmer McCormick, reinforced the impression.

But McCormick announced himself as the chief engineer of the tractor works of John Deere, a farm equipment company from out in the hick Midwest. His mission, he declared, was to persuade Dreyfuss to make the long train journey out to the factory in Waterloo, Iowa, and "style" Deere's line of tractors.

Dreyfuss was intrigued. He had already worked on a range of products as varied as suspenders, flywheels, clocks, telephones, typewriters, and washing machines, and had just started a major project for the New York Central Railroad on the soon-to-be-famous 20th Century express. Within a few months he had signed up with Deere and was involved in designing a sleek, streamlined appearance for the company's two main tractors, whose innovative technical features were already proving popular with farmers.

Thus began a remarkable marriage of rugged engineering and imaginative industrial design which has distinguished Deere from most of its competitors for almost 40 years. Its far-reaching use of the industrial designers employed by Dreyfuss Associates has not only given it a glamorous, easy-to-use image, but has improved the performance of its broad range of products; Deere is highly reputed among the farming community for being a leader in comfort, safety, cab insulation standards, safety features of all kinds, and other aspects of what the Americans call "human factors" and Europeans know as "ergonomics".

Deere's rise to become America's largest maker of agricultural equipment, and to



William Hewitt, Deere's chairman for 27 years, and a design evangelist

dominate the two prime product segments—tractors and harvesters—has been rightly ascribed to several factors: technical innovation (initiated by the company itself, as well as in response to farmers' demands for new features); high-quality manufacture; the holding of a strong dealer network and steady growth; everything, the will to invest long-term. But the company's top management is also convinced that industrial design has played a key part.

Equally, the strength of Deere's industrial design is felt to be one of the reasons why the company is at last making headway in the much more fragmented and competitive European market, especially with combines: its market share has steadily climbed to over 15 per cent in the past few years, with its UK position soaring from 14 to 21 per cent since 1980. As the harvest is gathered in this month, Deere's dark green and yellow monster combines will be more in evidence than ever before.

"A product that looks good is more likely to sell well," explains Bud Bichel, senior design engineer at Deere's main harvester works in the company's headquarters town of Moline, Illinois. "When we were test-marketing our top-of-the-line Titan combine in France last summer, I was

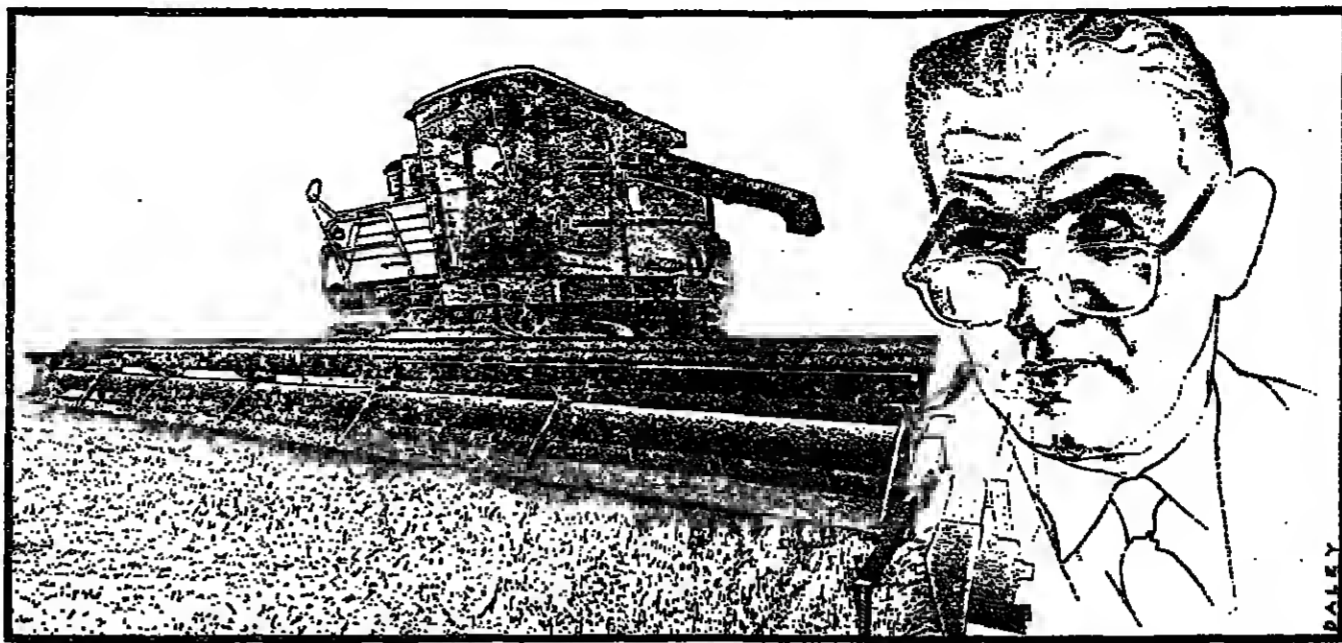
particularly struck by the gut reaction of one farmer as soon as he saw it: 'That's a strong-looking machine!' Sure enough, several French farmers bought the tank-like harvester even though it has to be expensively imported from the U.S., since it is not made in Deere's European plants.

A similar reaction, Bichel claims, helps explain Deere's big leap in U.S. market share for combines in 1970, when the forerunner of the current line was first launched. Just like ordinary folk with a new car, it seems that farmers are prepared to splash out on an attractive new vehicle well before its reliability is really proven.

It may seem surprising that appearance is so important to something as functional as a tractor, or combine. But Russ Sutherland, who as Deere's director of product engineering has the senior executive responsibility for the long-standing link with Dreyfuss Associates, argues that "if a product is streamlined for appearance, it's streamlined for function, too."

Bichel and Sutherland, like most of their Deere colleagues, confuse the issue somewhat by referring to the consultants from Dreyfuss Associates—up to four or five are involved at any one time—as "stylists". In most companies, and to most designers, this would be a term of abuse. James Conner, a partner in the consultancy, who is now in charge of the Deere account, says Henry Dreyfuss himself—who died in 1972—"always emphasised the difference between design and styling. He strove to do timeless design, feeling that styling is transient."

One design historian has gone so far as to dub Dreyfuss "the conscience of the design profession" for advocating that the external form of a product should not be merely a shell imposed from outside, but should grow out of its function. Even before the emergence of ergonomics as a discipline after the Second World War, he was paying careful attention to the impact of producing and industrial design



Henry Dreyfuss and his legacy: a marriage of rugged engineering and imaginative industrial design

At Deere, insistence on the word "stylist" seems to be an unconscious way of distinguishing the role of the Dreyfuss consultants from that of the company's own design engineers. Sometimes referred to simply as "designers," they have for years been the most powerful functional group within the company, with more corporate "clout" than either production or marketing, and—at least in the past—than even finance.

Certainly, the consultants' work has for many years been far more weighty than mere styling. They may not initiate product concepts, as do designers in a few other design-minded companies (such as Olivetti and Phillips), but they have had considerable impact on Deere's engineering decisions. Within what is still a highly decentralised company, they also play an important role as cross-pollinators of ideas between different units. "It's far more than the traditional sort of industrial design role," says Dr Gordon Millar, the corporation's vice president of engineering.

The Dreyfuss influence on Deere's engineers began as early as 1938, when the company was persuaded to change the steering mechanism for one of its tractors so that it no longer protruded from the bonnet; the arrangement, suggested by Henry Dreyfuss himself, was also cheaper. There has been a steady stream of such trade-offs between engineering and industrial design

ever since. Involving not only finished products (such as the system for ploughing a harvester) but also components (such as the pattern of liquid flow within a hydraulic pump).

The hand of Dreyfuss and his team was strengthened in the 1960s by two developments. One was the gradual emergence of ergonomic requirements as an important factor in product design. The other was the arrival in 1963 of a new chairman and chief executive, William Hewitt, who had an unusually strong interest in art, architecture and design.

Hewitt, the son-in-law of the previous president (himself a great grandson of the founder, John Deere), had spent several years as an advertising copywriter before joining the company. He spent 27 years at the helm, exercising a dominant influence, until his retirement in 1982.

With Hewitt's arrival, Deere's hitherto patchy use of the various non-engineering facets of design was transformed into a company-wide commitment. Within two years of moving from the dingy old corporate headquarters behind the city tracks in downtown industrial Moline, he had commissioned Eero Saarinen, the world-famous Finnish-born architect, to design a new building to act in the green, rolling hills outside the town. Completed in 1964, it won countless architectural awards, and is rightly considered one of the most spectacular yet functional headquarters of any multinational.

Hewitt's design-mindedness extended to every aspect of the way the company presented itself, both externally and internally. He paid close attention not only to its architecture and products—attending almost every product review session—but also to its documentation, right down to the quality of the graphics used by managers in their internal presentations.

It is not surprising that someone with such dedication to design should have become a personal friend of his chief design consultant. But it was his friendship, which caused Hewitt to encourage the idea that Dreyfuss and his staff should be called into product development projects right at the start, where their influence could be greatest. It also frequently prompted him and his senior lieutenants directly to seek advice from them.

Since Hewitt's departure, the degree of top-level involvement has declined, and most of the contact is back at unit and factory level. Whether or not this bodes ill for the instance of industrial design at Deere remains to be seen. Since 1982 the company has been grappling with the vicious price effect of rising costs and falling demand, and the attention of Hewitt's successors, Robert Hanson, have inevitably been directed elsewhere.

Tom Gildehaus, one of Hanson's three executive vice-presidents, concedes that Deere's tough cost-cutting drive could put pressure on its dedi-

cation to stylish design in every aspect of its products; indeed, a number of senior engineers—especially the younger breed—have been questioning the need for quite such a degree of emphasis on product design details such as rounded, rather than square, corners.

But the influence of industrial design at Deere is safeguarded to some extent by several factors, most notably the widespread recognition of the fact that the Dreyfuss consultants have always tended to emphasise simplicity of design in preference to complexity. Examples abound of their proposals helping to cut the cost of a product, rather than increase it; a recent one is of a disc harrow, where \$20 was knocked off the manufacturing cost by bending one piece of tubing to make the frame, rather than welding four pieces together.

A degree of protection is also provided by Deere's traditional system of not charging internal units for the Dreyfuss work, but billing it to head-quarters. "This is a major key to the way the relationship was worked," says Deere's Gordon Millar.

Millar himself is in no doubt about the continuing value of the consultants' contribution. "They not only provide a detached, objective view, but also a depth of vision that's not hindered by existing ideas and investments. When they show up, one people pay attention." See this page, January 23 and March 19 1984.

Business courses

Effective press relations: London, October 2. Fee: £143.75. Details from the Seminar Department, CAM Foundation, Abford House, 15 Wilton Road, London SW1V 1NJ. Tel: 01-828 7506.

Strategic issues in retailing: Oxford, September 21-22. Fee: £100. Details from Dr David Walters, Oxford Centre for Management Studies, Kennington, Oxford OX1 5NY. Tel: 0865-734222. Telex: 83147 atm.

OCMS: Corporate marketing strategies, Brussels, September 10-11. Fee: Non-members BFR 64,000; Members (AMA/I) BFR 53,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/518. 10.11. Telex: 81.917.

Designing and using application forms for graduate pre-selection: Uxbridge, October 15. Fee: £185. (Includes refreshments and lunch). Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Strategic investment decisions, London, October 15-19. Fee: £525. Details from Gresham, Registrar, Strategic Investment Decisions, London Business School, Sussex Place, Regent's Park, London NW1.

Technology purchase and sale in product and market development, Bath, September 20-21. Fee: £165. Details from Nick Crawford, School of Management, University of Bath, Claverton Down, Bath BA2 7AY, Avon. Tel: 0225 61844.

Advertising and marketing: Brussels, September 15-16. Fee: £275 (plus VAT). Details from Oyes International Business Communications, Bath House, 66 Gaboron Viaduct, London EC2A 2EJ. The international training and development conference, Brussels, October 17-19. Fee: Non-members BFR 55,000; Members BFR 50,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels, Belgium.

The synectics course—innovation and the management of change, Leighton Buzzard, October 15-19. Fee: £495 plus VAT. Details from Abraxas Management Research, 34 Church Square, Leighton Buzzard, Bedfordshire LU7 7AE. Tel: 0525 382525.

Le Francais an chateau—advanced French language course, Aveyron, October 30-27. Fee: Non-members £750, members £720 (excluding travel). Details from Julie Smyth, International Division, London Chamber of Commerce & Industry, 25 Cannon Street, London EC4N 5AR. Tel: 01-248 4444.

TECHNOLOGY

EDITED BY ALAN CANE

PUTTING AUTOMATED MANUFACTURING TO WORK

How to tailor a robot to its task

BY PETER MARSH

A MASS of hardware in a design room in Chorley, Lancashire, illustrates the technical complexities of putting automated manufacturing to work.

The workshop is owned by Taylor Hitec, one of Britain's leading suppliers of robot systems. The shop floor contains several industrial robots, and computer-controlled mechanical arms, which were bought off the shelf from well-known vendors.

Each device is, however, surrounded by an array of special machinery that Taylor Hitec has had to come up with to suit a specific application.

The company also has its own teams of software specialists who devise programs that instruct robots how to work in harmony with other items of computerised equipment.

Mr Derrick Hunter, Taylor Hitec's managing director, says that, typically, the price of a complete system is two or three times the cost of the robot as supplied by a manufacturer.

Mr Hunter has a staff of 43, of which 36 or so are qualified engineers. The numbers have doubled in the last couple of years, mainly as a result of the company's strategy to increase its range of customers.

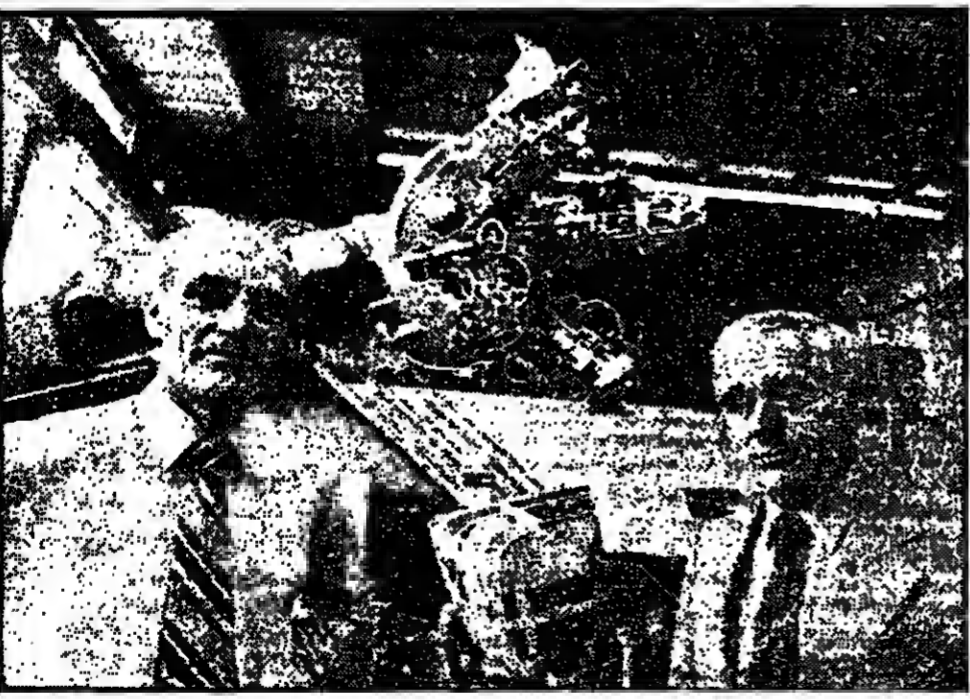
Taylor Hitec, part of the B. and K. Taylor group of engineering companies, grew established by developing manipulators for the nuclear industry. Such hardware can, for example, grab a fuel rod from inside a reactor or do a welding job. It would be controlled by an operator sitting at a console well out of the way of harmful radiation.

In the late 1970s, the company started to diversify to tackle the needs of industry in general.

"Robots became fashionable," says Mr Hunter. "We realised it was too late to become a robot manufacturer. But the systems aspect to robotics showed considerable potential. A lot of development is needed to get a robot to work. You have to choose the right robot for the job."

"Then you have to look very closely at the product you want the robot to make and, if necessary, adapt it. A lot of ancillary equipment is needed to make the whole system operate."

Taylor Hitec's approach is illustrated by a set of hardware it designed for M.L. Aviation of Slough, which makes aerospace equipment. The Slough company wanted an automated device to help in the manufac-



Mr Duncan Lowe, left, technical director, and Mr Derrick Hunter, managing director of Taylor Hitec in front of the Tornado bomb release mechanism and manufacturing robot

ture of a specific item of hardware—a bomb-release mechanism for the Tornado military aircraft.

The system that Taylor Hitec came up with will cost about £400,000—of which about a quarter is accounted for by the cost of a robot, in this case made by Fata, an Italian company. M.L. Aviation has ordered two such systems; both of which should be operating in its Slough factory by early next year.

The bomb-release mechanism is a cylindrical metal framework about 6 metres long to which must be fitted by rivets some 3,000 holes must be drilled through the metal skin.

Currently, the job is performed by people armed with high-speed drills. M.L. Aviation wanted to give the task to a robot—but how would it know where to put the holes?

The answer, said Taylor Hitec, was to ask a human worker to shape just a few holes every metre or so along the panels. These are laid in the correct position on top of the framework.

The "hand" of the Fata

robot, armed with a touch-sensing probe, moves across the top of the hardware, committing to its electronic memory the positions of these sample locations.

In the next step, the robot works out from the datum points the correct places for all the other holes. With a drill bit of the correct size (the robot can select from several as part of a tool-changing operation) the machine makes the required incision.

It follows this up with two more jobs. The robot removes

Man and machine compared

"A rule which is generally true in terms of applying automation is that the machine produces more parts in a given time than its human counterpart, then it will succeed economically."

"Now this does not mean a direct comparison should be made between the rate of manual working and the rate of machine working in terms of the cycle time to produce an assembly."

"The overall output over a

longer period is the figure to look for. This is because the machine may be working on a longer time cycle than its human counterpart, but so long as it takes only a fraction of a human being to supervise it, and can be left for long periods to look after itself, then its daily production could be significantly in excess of that which could accrue from human workforce." — W. B. Heginbotham in *Programmable Assembly*, Springer-Verlag, 1984.

machine is intended to work in a contaminated zone, taking to pieces a metal filter assembly and cleaning it.

First, Taylor Hitec's engineers had to redesign the filter unit so that a robot could disassemble it. The filter used to contain about 150 parts, including screws, that workers had to take apart in a manual operation.

With the redesign the filter comprises just seven subassemblies, held together by interlocking lumps that an operator who sits outside the contaminated zone behind a plastic screen can unfasten with a system of cams.

The robot then lifts off, one by one, the pieces of the filter unit and says them in set positions on a table. It does the job in 10 minutes, using five different tools that it selects from a rack. Finally, the machine heaves down the components to a set of bins, before putting the parts back together again.

In other work, Taylor Hitec has developed a robot of tracks that moves between five stations in the chemical-treatment industry. Taylor Hitec has devised a system built around a robot made by Asea, of Sweden. The

robot, armed with a touch-sensing probe, moves across the top of the hardware, committing to its electronic memory the positions of these sample locations.

In the next step, the robot works out from the datum points the correct places for all the other holes. With a drill bit of the correct size (the robot can select from several as part of a tool-changing operation) the machine makes the required incision.

It follows this up with two more jobs. The robot removes

tinny scraps of metal from the hole with a deburring tool. It then fastens clips in selected holes to fix temporarily the plates to the metal framework.

Workers can then remove the complete assembly for riveting later on by human engineers. M.L. Aviation says that it is considering whether this, too, is a job for a robot.

In another development, this time for a company in the pharmaceutical industry, Taylor Hitec has devised a system built around a robot made by Asea, of Sweden. The robot is intended to work in a contaminated zone, taking to pieces a metal filter assembly and cleaning it.

First, Taylor Hitec's engineers had to redesign the filter unit so that a robot could disassemble it. The filter used to contain about 150 parts, including screws, that workers had to take apart in a manual operation.

DATA NETWORKING

BT demonstrates its 'open' system

BY GEOFFREY CHARLISH

BRITISH TELECOM, seemingly concerned over accusations that it is identifying too strongly with International Business Machines in data networking, has started demonstrations of a new service, Multistream.

It emphasises the service is based on the "open systems interconnect" (OSI) principles that are now being developed into international standards. Its collaboration with IBM, a networking project called first "Ive" and now "Red Cloud," is based on IBM's proprietary networking architecture, SNA. From the autumn, Multistream will offer simplified access to the BT packet switching network, and to a range of desktop computers and terminals.

In practice, this will mean that anyone with a suitably programmed personal computer will be able to obtain simple, fast, reliable and low-cost access to computers and their data bases (or to other terminals) connected to the network. Up to now, use has been restricted to larger, professionally-maintained applications and access to the packet network has not been easy.

Key to the development is the PAD (packet assembly and dis-assembly unit), of which 2,000 are to be installed country-wide in town and city telephone exchanges. These units take the user's data over a direct line from the terminal and assemble it into packets, or short bursts, which might travel over a variety of routes to their destination.

The technique makes best use of connecting channels and reduces costs. The packets are accurately assembled at the receiving end into the original transmission.

MATERIALS

Modar resins from Mond

ICI MOND Division of Runcorn has introduced three new resins for fibre-reinforced composites under the name Modar.

The Modar 80 series have medium to high heat distortion temperatures (100 to 125 deg C) and will give good results in polyurethane (a process in which glass fibres are pulled through the resin into a cylindrical die to produce composite bar material), and in vacuum-

assisted resin injection. The Modar 82 series has additives that give excellent surface finishes, avoiding the need for gel coating. There are several Modar 84 for example, can be highly coloured and has cure times of one to two minutes. Modar 83 resins exhibit high extension before breaking and high impact strength, with good moulding characteristics. More on 0929 513040.

Once a PAD has been dialled by a user, he can go on and off line to any other suitably-equipped user or computer by short and simple keying routines. Error detection and automatic re-transmission facilities are provided to ensure the integrity of the transmitted data, which is sent asynchronously.

A facility is also to be provided for users of private videotex (viewdata) services. This will provide access from videotex terminals with call set-up controlled by on-screen menus.

BT is negotiating with a number of personal computer makers to get the necessary software for Multistream built in to as many desktop machines as possible, including Torch and BBC machines.

In addition, a box will be available that will convert a "dumb" terminal (one with just screen, keyboard and character generator) into a Multistream terminal.

Networks set up under Multistream will either be managed by BT or by the users themselves within a private user group. In either case, some network management software developed at BT will come into play.

This allows, for example, any terminal to be placed on or off line, monitored for utilisation and faults, or be exchanged for another of different speed—from a single management terminal placed anywhere on the network.

All the emphasis will be on SNA and OSI. According to Mr Jim Norton, head of advanced network marketing, "there will not be a lot of room for any others."

Manufacturing

Leading edge of automation

Two important meetings covering leading edge technologies in automation are to be held by IFS (Confab) at Bedford in the autumn.

From October 9 to 11, at the Novotel Hotel in London, the subject will be robot vision and sensory controls, chaired by Professor Alan Frazer of Hull University. There will be speakers from 13 countries covering such subjects as sensor-based manufacturing, knowledge-based sensor systems, three dimensional sensing, and several theoretical aspects of advanced vision systems.

More applications will be evident this year, and delegates will hear from IBM, ASEA, Siemens, General Electric and Philips.

The other event will take place at Brighton, October 23 to 25, and will be the first international conference to be held by IFS on speech technology. It is from the Conference Manager at IFS, Bedford, on 0234 853605.

Computing

Rediffusion moves into training

Rediffusion Simulation has diversified from its flight simulation business into computer based training systems. Its entry into this market is marked by the introduction of a system called TRS.

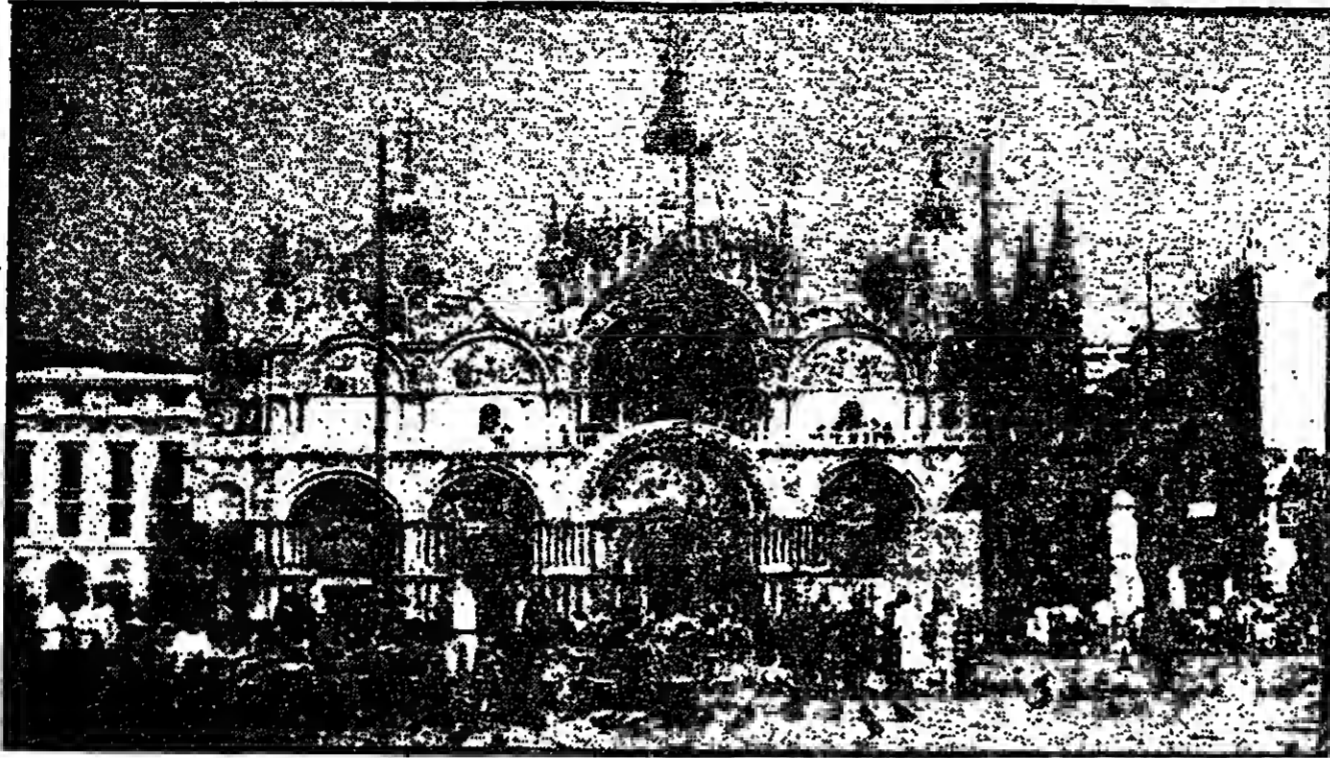
The range is headed around a colour graphics system developed by Regency System in the U.S. and sold under licence by Rediffusion. More details from the company in Crawley, Sussex on 0293 28811.

THE ARTS

Architecture
Colin Amery

Guided tours and leading lights

One of the most agreeable summer pleasures is the leisurely contemplation of architecture... One of those who had the time and cool expertise to explore and explain a great building was John Ruskin...



Facade of St. Mark's Basilica, Venice

Today the colours of the interior are probably better than they were in the 19th century—the film of lamplight has been removed. Uraru's photographs alone are a good reason to buy this book—they are exceptional.

There are no maps, plans or sections. It is not the editors' fault that this is such a bleak period to classify but the paucity of adequate language to describe the individual entries clearly lies with them.

Architect assembled to decorate his conception. This must have been one of the last public buildings to employ so many young artists...

readability. A promising new series has recently been launched by the publishers George Allen and Unwin under the collective title, Genus of Architecture.

Handel/Radio 3

Andrew Clements

There was a time, and not so very long ago, that Handel at the Proms would have meant massed choirs belting out one of the oratorios or a full symphony orchestra tackling a suite of Water Music or some Beethoven confection.

Perhaps the quantity of "early music" and period haroque performances in the present season signals the successful absorption of this approach to the music of the past into the mainstream of concert life.

RIBA awards announced

This year there are only three awards for the 150th anniversary celebrates of the Royal Institute of British Architects. The two top awards in the category of buildings with a contract value of more than £150,000 are the somewhat dour Yorkshire Bank headquarters in Leeds by Abhey and Hanson.

Norfolk town of Burnham Market wins an award from Ian Steen. Commended schemes include a large nuclear fission project, the Pilobolus theatre and a small conservatory overlooking the Thames at Wapping.

'The Wire' goes monthly

The Wire, the quarterly jazz magazine launched in July 1982 by Anthony Wood, has become part of the Namara Group which publishes Quartet Books, and from October 1 will appear monthly.

Anonymous donor aids orchestra

The trustees of the City of Birmingham Orchestral Endowment fund have received an anonymous donation of £20,000 for the purchase of a violin. The violin, a fine old Italian instrument (circa 1750-60), will be used by a member of the City of Birmingham Orchestra on an extended loan.

A Little Hotel on the Side/Olivier

Michael Coveney



Deborah Norton

John Mortimer's new title for the Feydeau farce we know as Hotel Paradiso is not a particularly happy one, but it does convey the sordid and suttler of menopausal adultery, the steeper physical panic of the Parisian heiress who removes to the stuffy haven only to be followed by a man with a stammer, his four insufferable daughters, an officious spouse and a police raid authorised by the Department of Public Morality.

one of Mr Mortimer's many one-liners which are both funny in their own right and true to the Feydeau spirit of backfiring, naughty wordplay. Finglet himself in Jonathan Lynn's fast and well-controlled production is played by Greville Garden, a farcure of considerable natural technique but limited emotional depth.

That, however, is far from being it. The Finglets made the terrible error of inviting a holiday acquaintance in Dieppe to visit them, and the stammering Mathieu—whose affliction is brought on by the rain—only brought with him a pair of luggage and small girls. "I can't wait to look inside your trunk" ejaculates Mrs Finglet in

departing for a journey with consequences that are genuinely catastrophic. Black eyes and general misfortune are not the prerogative of the hotel inmates in the second act. Paillardin (John Savident) is the corpulent near-cuckold who turns up at the hotel not to keep an assignation but to inspect the drains and investigate reports of strange knockings. As he tells his friend, "I do not care for hanky panky, frankly, Finglet." The midnight knocking also involves Paillardin's nephew (Matthew Sim) who is tutored by a lascivious maid (Judith Paris) and the four girls who are con-

veniently mistaken to be the ghosts of the haunted establishment run by the odd reformed Cockney boteler of Michael Bryant.

"Knocking" is a key word in Mr Mortimer's version, appropriately enough in a farce of would-be adultery behind closed doors. And of course it is a condition of French farce that the ambition is stymied by circumstances unfairly collaborating with the forces of morality.

A problem of balance is created by Benjamin Whitrow's deliciously funny utterance, "I do not care for hanky panky, frankly, Finglet." The sequence where Julian Marsh wags Peggy off the nut-of-town train—she has been temporarily sacked for causing the accident—is the nearest Broadway will ever get to its own storm scene in King Lear, and was played as such by Mr Orbach.

The Cheek by Jowl Company makes the amazing claim that the Paxton Suite in the Pavilion Gardens is witnessing the first professional English language production of Racine's best known tragedy. Amazing not just because a world classic has been so ignored for three centuries, but also because Racine's conviction of human importance, his pessimism over the possibility of happiness and his doubt suspicion of human motives see into accord with Anglo-Saxon puritanism.

unrequited love, but this production remains an impressive achievement. Possibly it should be retitled Orestes. Andrew Collins begins as boyish, frank and reasonable—almost the *honnête homme* of a Molière comedy, the *morla* by which the excesses of others are revealed. As intelligent as all the cast, he convinces in his bewildered obsession with the capricious Hermione through not even Sadio Shimomo's spirit can prevent this sleekly peered 1950s princess turning into the bank manager's daughter.

Advantages include the cravat and casual slacks that make the besotted Pyrrhus into an almost Brideshead figure. Duncan Bell wags *Andromache* with macabre lyricism; evidently there is a new movement towards vigorously romantic classical acting spearheaded by McKellen and Pennington.



Andrew Collins

Dark-suited with identical chunky bandbags, the confidants (Deirdre Edwards and Anne White) score as eternally tactful ladies in waiting. Perhaps the slightly unbalanced duration (Act 1 73 mins; Act 2 45 mins) explains a sudden lack of conviction in the post-interval passages; but an absorbing experience, none the less.

Andromache/Buxton Festival

Martin Hoyle

David Bryer's new translation steers a straight forwardly literate course, very occasionally nodding to the rhythmic couplets of the original, sometimes throwing in the colloquial. Mostly it works well, clear, unambiguous and only rarely hinting at translatorese or bathos. It suits Declan Donnellan's modern dress production in the semi-ruined, where naval uniformed princess and hick-suited widows prowling the set's circumference like aged animals peering out the inexorable constrictions of their destiny.

Check by Jowl is known for a free-wheeling flexibility and a vivid visual sense. Neither is given much scope in Racine's classically formulated chain of

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Music

Aug 10-16

VIENNA

New Vienna Baroque Ensemble, leader Heinz Prammer, Pergolesi Stabat Mater, Dominik Scarlatti, Post-gasse 4 (Mon), (42 860/2385).

PARIS

Haydn Sinfonietta, New conducted by Manfred Huss, Michel Lesbic, clarinet, Mozart, Rosini, Haydn (Mon 8.30pm), St Marc Church, 78 Rue Saint-Martin.

NEW YORK

New York Choral Society (Carni Hall): An all-Mozart programme with Yacov Bergman conducting the Heritage Chamber Orchestra and Chorus with Temple Emmanuel North Jersey (Tue), E. Joe DeVore conducting the N.Y.U. Choral Arts Society and DeVore Chamber Singers in a programme of Verdi and Mendelssohn (Thu), 57th & 7th Ave (873 9096).

CHICAGO

Ravinda Festival: Peter Serkin, piano, and Young Uck Kim, violin recital, All-Mozart programme (Wed), Chicago Symphony, James Conlon conducting, Cho-Liang Lin, violin, Brahms, Mendelssohn, Dvorak (Thu), Highland Park (728 4842).

NETHERLANDS

Daniel Wagner, piano: Beethoven, Chopin and Liszt, Amsterdam Concertgebouw (Tue), Concertgebouw Orchestra conducted by Semyon Bychkov with Emmy Verhey, violin, Verdi, Bruch and Rachmaninov, (20) 718345 (Wed).

42nd Street/Theatre Royal, Drury Lane

Michael Coveney



Clare Leach and Michael Howe

When David Merrick's production of 42nd Street opened in New York four years ago, the director and choreographer Gower Champion collapsed and died just a few hours before curtain-up. It was the ultimate macabre touch to the definitive backstage musical. There was no such disaster at Drury Lane, although one notes that the lighting is provided by Leonard Tucker and the late Joe Davis who, alas, died in rehearsal.

The show goes on, nonetheless, and in most visual and presentational respects is indistinguishable from the Broadway model. As in New York, we are confronted with a somewhat tenuously organised spectacular about the magic of theatre and the creative power of that traditionally non-creative component, the producer.

Julian is here played by James Laurensen, a competent actor but not a musical actor. He can sing, just about, but is unable to layer the scene—which is encased in the most wonderful version of Lullaby of Broadway, the entire cast turning up at the station to bless their saviour—with that curiously resonant blend of bitterness, cynicism and sexual devilry supplied by Jerry Orbach.

The result is that the show is even more hollow at the centre than it should be. In the musical routines, Peggy's opposite number is played with an almost devastating charmlessness by Michael Howe. Peggy herself, however, is very well done by the American Clare Leach—one really cannot imagine an English girl doing it so well. Miss Leach makes you care about her career, even though her predicament is not really worth a second thought.

sound, under the direction of Kevin Amos, is tremendous. The injured star, Dorothy Brock, brings George Brown back to the London stage, unfortunately for her in the same week as Lena Horne. Miss Brown's limited but expressively coracore voice is at its best doing an Al Jolson in the opening night duet "About A Quarter to Nine".

The title song is a fitting climax to Miss Leach's performance as she stands isolated against an evocative illuminated backdrop of Broadway theatre signs—Lynn Fontaine in Strange Interlude, Katherine Cornell in The Alien Corn—but the heart of the show has been driven out by too much obsession with manufacturing a replica.

FINANCIAL TIMES

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 Telegrams: Finantimo, London PS4. Tel: 8954671
 Telephone: 01-248 8000

Monday August 13 1984

Opec's other member

OIL FROM the North Sea Brent field ended last week at \$28.50 a barrel on the spot market. Ten days earlier it was below \$26.50.

The only event of note to occur in that period happened, so far as can reasonably be deduced, at the Department of Energy's headquarters in Millbank.

Exactly what took place remains partly a matter of conjecture, since officials have been trained to say "no comment" to any inquiry concerning the British Government's dealings with ministers of the Organisation for Petroleum Exporting Countries.

What is known is that Sheikh Yamani, the Saudi oil minister, was in London on July 31 and that the oil market, worried about overproduction by the Saudis in particular and Opec in general, was in a steep decline. With Brent trading \$3.50 below the official price of \$30 set by the British National Oil Corporation, the chances of BNOC managing to hold that price were looking slim.

The other thing which became known later in that week was that Mr Alick Buchanan-Smith, the Energy Minister, had written to BNOC's main customers expressing his view that the surplus in the oil market was temporary and that Opec companies should join the Government in helping BNOC to resist a price cut. If the BNOC price fell, the minister argued, "price reductions elsewhere could lead to the collapse of the world oil market."

It is not known for certain whether Mr Buchanan-Smith or his boss, Mr Peter Walker, the Energy Secretary, met Sheikh Yamani before delivering this message, but it is very likely that at least one of them did.

It can scarcely have been coincidence that by Friday, two of BNOC's most important customers, British Petroleum and Shell, made it known publicly that they too thought the oil market and ministers of the Saudis. Sir Peter Walters, the chairman of BP, coupled his intervention with a call to Saudi Arabia to make a public statement on the matter, clarifying its level of production and the extent to which this would be affected by a 36m barrel oil for jets deal with Boeing and Rolls-Royce.

Sheikh Yamani, silent as ever on these occasions, declined Sir Peter's invitation, although at the end of last week a muffled message did emerge from the kingdom, to the effect that Saudi production in July was "much less than 4.5m b/d" or between 0.5m and 1m b/d less than the worst fears of the market during the price fall. But the outcome was what Sir Peter and the Energy Minister hoped for—the market turned.

So far as anyone can tell, this is the first time the British Government has directly (and clandestinely) attempted to act as a fourteenth member of Opec by pressing oil companies to keep the price of oil higher. The event is the culmination of a year in which those who deal with BNOC have noticed a

subtle but definite change in the corporation's behaviour, as it has dropped any pretence of being a setter of official prices responding to trends in the spot oil market and has become to active resistor of such trends.

From the point of view of the world economy, what studies there have been suggest the obvious: that if the price of oil falls, there would be winners and losers. Brazil and much of the rest of the developing world would be the gainer. Oil producing countries like Mexico and Nigeria would be in dire straits. Theoretically, the process would balance itself out, but between theory and practice there would be considerable scope for financial dislocation.

At a time when the freshly shuffled Socialist government, as part of its switch of economic policies, is taking an increasing public stand against undue state intervention, considerable political passions are starting to be generated by proposals for the right-wing opposition that France's history of state-owned companies and banks should be returned to the private sector.

Glossing over its own sometimes blatantly interventionist deeds when previously in power, the Right is unashamedly taking its cue from free-market economics and the sales of state enterprises being carried out in Britain (as well as West Germany and even Sweden and Italy).

As the countdown to the 1986 general elections gets under way, all the Opposition leaders have promised, if the Right recaptures power, to return private ownership of the banks and industries nationalised by the Socialists in 1982.

Adding their voices to M Giscard d'Estaing's, the other two main opposition leaders, M Jacques Chirac and M Raymond Barre both claim, for instance, that nationalised banks are incompatible with a free society.

At stake, according to M Jean-Marie Lévesque, ex-chairman of Credit Commercial de France, one of the big banks nationalised in 1982, is the dismantling of "the largest industrial, commercial and financial empire in the world outside the Soviet Union."

Stripped of rhetoric, the denationalisation debate hinges on the question of how best to channel funds to French industry. Far from being the Opposition's preserve, the theme has become increasingly dear to President Francois Mitterrand and is now a major priority of the social democat-

PRESSURE FOR FRENCH DENATIONALISATION

The bid to reverse the tide

By David Marsh in Paris



Key figures in the denationalisation debate (from left): M Valéry Giscard d'Estaing, the former president; M Francois Ceyrac, former employers' leader; M Pierre Moussa, who was head of Paribas; and M Laurent Fabius, the Prime Minister

THE MECHANICS OF ASSET SALES

FOLLOWING the 1982 nationalisations, groups controlled by the state account for over 30 per cent of France's industrial turnover and nearly all its commercial banks. Including energy, commerce, insurance and media sectors, the state owns around 4,000 French companies.

The 1982 takeovers will cost French taxpayers around FF1,500bn (about £4.3bn) through 15 years of annual

compensation payments to shareholders.

With global French stock market capitalisation only around FF1,370bn, the Right's proposals for denationalisation—amounting to at least FF1,000bn in asset sales—would cause major indignation on the capital market.

M Alain Juppe, the finance expert of the RPR neo-Gaullist opposition group, suggested special tax incentives for privatisation investments, plus disposals to com-

pany staff as part of salary payments.

Other suggestions include across-the-board allocations to French households, new regulations to spur buying by unit trusts and insurance companies and sales to foreign investors for some "blue chip" stocks such as Paribas.

One serious complication for any denationalisation programme is the presence of rival securities—issued by the Government in 1982 to indemnify former share-

holders, and, more recently, by the banks and companies themselves in the form of non-voting loan stock (titres participatifs)—which carry comparatively high yields.

The return on dividends offered by newly-denationalised companies would certainly be closely scrutinised in comparison with the titres participatifs. This could dampen enthusiasm for privatisation equities, at least among professional investors.

leasing government of M Fabius.

With a stock market whose overall capitalisation amounts to just two-thirds of that of International Business Machines, shortage of capital has been both cause and effect of France's declining industrial base in recent years.

Socialist ministers are fond of repeating that the Government has been forced to inject around FF1,500bn (about £1.1bn) in capital over the last three years into newly-acquired industrial groups (not counting additional subsidies for steel) because their former private shareholders, who supplied only FF1,500bn over the previous eight years, simply failed to do their duty.

Proposals of denationalisation, although differing over the timing and methods, say the move would considerably lower the state's financing burdens. Provided it was backed up by other measures to improve the attraction of equity investment (an area where the Socialists have made important strides over the last two years), denationalisation could,

according to the Right, pave the way for a lower budget deficit and tax cuts as well as greater competition in French industry and smoother funding of companies' cash jobs.

In his previous job as Industry Minister, M Fabius himself argued that with most of the newly-nationalised industries

(apart from steel) on the way to profits after heavy losses in 1983, any need for reprivatisation has disappeared.

On the other hand, M Lévesque—one of the few former bosses of now-nationalised groups to have openly joined the privatisation campaign—uses precisely this argument to advance the denationalisation cause.

Unlike many of the state-owned groups slowly being reprivatised in the UK, he claims, the bulk of France's public sector assets—including the fire, his industrial group taken over in 1982, practically all the banks, plus the insurance sector—is sufficiently profitable to make denationalisation rapidly realisable. Perhaps

exaggerating, he estimates a right-wing group, especially raise FF1,000bn through such asset disposals within 12 months of returning to power.

A less contested argument in favour of denationalisation is that it would open up business opportunities, especially internationally, which have been stymied as a consequence of state ownership.

French hopes of European electronics link-ups between the Thomson and Compagnie Générale d'Electricité groups and Grundig, Olivetti and Philips, for instance, have foundered in the last two years partly because of foreign distrust of alliances with companies controlled by the Socialist Government.

But the key issue of whether the private sector would do a better job than the state of running strategically placed industries and the main banks is muddled by three peculiarly French factors.

—The French private sector, in a system traditionally dominated by the heavy hand of the state, has never presented a shining example of an alternative form of stewardship of key industries, especially in recent years.

The severe financial difficulties of the Peugeot car group (now the country's largest private sector enterprise), to say nothing of the bankruptcy of Renault, which was taken into

receivership, have underlined the traditional weakness of private sector balance sheets.

Both companies' problems have reflected, in part, competitive pressures vis-à-vis state-supported groups. Peugeot has complained loudly over the years at subsidies given to Renault, which was taken into public ownership along with the Bly Three banks, the electricity gas and coal boards and the nuclear energy authority during General de Gaulle's nationalisation wave of 1945-46.

Under M Barre in 1978, the lack of equity backing—which

reached an extreme with Renault as a result of the Empein Schneider group's deliberate action to reduce its financial exposure—was added to the popular image of French private sector entrepreneurs as toothless "capitalists without capital."

It is hard to support the Opposition case that nationalisation under the Socialists has been an unmitigated disaster. State ownership of important industrial groups has given the Government the ability to carry out corporate shake-ups delayed or neglected by the previous administration and by private sector shareholders.

Admittedly, this has been bought at a heavy cost to the taxpayer, in terms both of generally over-generous compensation payments to shareholders (especially in the industrial groups) and of the large amount of state aid that has been injected since 1982.

Switching from the business community's initial attacks on the nationalisations as a raid on shareholders, M Francois Ceyrac, who was leader of the Patronat employers' federation when the Socialists came to power, now says the companies were bought "for the price of gold—a waste of France's resources."

As an example of corporate restructuring, M Lévesque admits that the tough post-nationalisation recovery plan

put into action by Pechiney is the same as that advocated by its previous private sector chairman—whose plans were blocked by the Giscard Government partly because they involved selling off part of its business abroad.

One top civil servant under the previous Government says the former administration knew that three of the companies on the Socialist nationalisation list—Pechiney, Rhone-Poulenc and Thomson—were in very poor shape before May 1981. Rhone-Poulenc would probably have had to be taken under the state's wing even if M Giscard had been re-elected, he says. "Giscard's words and ideas are liberal—but his actions are not," he says.

—Now that the Right has cleared the initial phase of Socialist nationalisation, the state-owned companies are already operating in a much less interventionist environment than two years ago.

M Alain Chalandon, the former chairman of state-controlled oil group Elf Aquitaine (who was forced out of his job in June 1983 after a row with M Fabius) disputes this. He claims that nationalised industry bosses are "forced to leave their factories and their offices, wasting their time and talent... pleading their cases and vying for favours with the state."

Another nationalised company chairman, however, pointing to previous governments' interference in his company when it was privately-owned, says that he has been "stupefied" by his relative freedom of action.

M Chevènement, Industry Minister, says the Socialist's most active phase of nationalised industry meddling, between July 1982 and March 1983, himself discovered the state bosses' muscle when they complained to the Elysee Palace about interference and indirectly forced him to quit.

One of the most potent arguments against carrying out any wholesale denationalisation is to avoid further disruption of management teams which, after three years of ups-and-downs, have at last gathered expertise and settled into their jobs.

A powerful voice of caution has been sounded by one of the men who suffered most from extension of state ownership—M Pierre Moussa, the former head of the Paribas bank. He resigned yesterday amid a blaze of controversy over the nationalisations in October 1981.

Although a passionate opponent of the state takeovers, he warns that the Right should not carry out the same "lebensjahre" as the Left by rushing to reverse the Socialist's actions. "Companies are living beings. You can't just manipulate them brutally, this way and that, like machines."

Commissioner for pure beer

West Germany's Chancellor Helmut Kohl may be fond of portraying himself as a 24-carat European, but these days he would be wishing the European Community had never been invented.

His problem is to find two suitable West German candidates to serve on the Commission in Brussels. Not too difficult, one would have thought. But that is to underestimate two things: the chronic unwillingness of potential candidates to leave their comfortable political fray and the endless jostling within Kohl's centre-right coalition.

The first difficulty scuppered the chances of a West German succeeding Gaston Thorn as Commission president—a post the country has not filled since 1967 and which it could have had this time for the asking. But Kohl could do no better than the worthy but little known Kurt Biedenkopf. The result was that he was neatly upstaged by President Mitterrand, with the choice of the former French finance minister, Jacques Delors, for the job.

Now a second helping of egg may be about to land on the Chancellor's face, thanks to the good offices of the Bavarian CSU, sister party of his own Christian Democrats and led by his eternally restless rival Franz Josef Strauss.

The CSU wants to replace Karl-Heinz Narjes, a former Christian Democrat politician with one of its own men. Its pretext is that Narjes has fought too feebly against Brussels efforts to remove the allegedly protectionist West German law on beer purity.

This, of course, may be of special interest in Bavaria where the law originated over 400 years ago. But most people suspect that the key to the CSU campaign is a complex manoeuvre to extend the influence of Herr Strauss in Bonn. That is the last thing the Chancellor wants. Wilhelm Haferkamp, the other West German Commis-

Men and Matters

sloner, may also be going after more than a decade in Brussels. But his replacement is in the gift of the Social Democrats, so Kohl will not have as many problems there.

Then there is the 75-year-old he has just bought. This will probably take two to three years to thin properly.

Last but not least there is Fainington Drew, the Devon bull, despite being a "teenage bull—too old to rank as a young bull, but not rich enough in years to qualify as a senior bull—Fainington won third prize recently in the East of England show.

"I would not treat my cattle like they treat their employees," Thornton remarked venomously. "At least if I did, they wouldn't win prizes at shows."

Bull market

Clive Thornton, former chairman of Mirror Group Newspapers, is busily ruminating at his country home. But probably not for much longer.

You will recall that Thornton resigned the chairmanship of MGN the moment he heard of Robert Maxwell's midnight £113.4m takeover of the group from Reed International. Since then Thornton has been out of work... but not unemployed.

For one thing, he has been busy with the rumours. A TV programme suggested that he would be receiving a payoff of between a quarter and a third

of £1m. He reckons people did not hear the fractions and that he was going to get £1m net of tax. He is expecting the begging letters to start any day now, although he has not finished negotiating the golden handshake with Reed.

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Sons and brothers

Edouard Leclerc, the erstwhile Brittany grocer who has built up France's largest retailing chain through flamboyant discounting methods over 35 years has predictably proved unpopular with various governments trying to protect small shopkeepers, as well with a long list of pressure groups.

These include petrol distributors, booksellers, pharmaceutical companies and the Midi wine growers who burnt down one of his supermarkets in April.

Now, however, Leclerc faces the risk of being overshadowed by a family rival—his younger brother, Michel. At the helm of a country-wide chain of petrol stations, Michel is making the running in this summer's outbreak of petrol price cutting, something Edouard did last year.

The longer established Leclerc who plainly regards his brother as something of an upstart has paid no attention to the public relations campaign. Edouard, the elder, has just launched a new series of press advertisements setting out once again the standard battle call for price-cutting and introducing for the first time his son, also called Michel.

Michel, sitting side-by-side with dad in the advertisements and clearly being groomed to step one day into the 57-year-old's shoes, has been rebuffed by Michel-Edouard just to make sure there is no confusion with the other Leclerc.

Bid consultants

Readers of the tea leaves may find significance in ICL's appointment last week of Shandwick Consultants to act as its public voice during the talks on the bid from Standard Telephones and Cables, Shandwick has earned a name as a public relations concern acting for participants in contested takeovers—usually large ones.

It represented BTR in a hotly fought battle to acquire Thomas Tilling and is also no stranger to defence, having helped Eagle Star off Alliance.

Currently it is aiding Brooke Bond against Tate and Lyle. We shall probably find out this week whether Shandwick's special expertise will be needed. ICL having originally called Standard's bid "totally inadequate," has been around the table with his suitor for two weeks. Agreement on a higher bid is the expected outcome. But Shandwick's role for the moment seems limited to saying many times "discussions are continuing."

Observer

BASE LENDING RATES

A.B.N. Bank	11%	Hill Samuel	11 1/2%
Allied Irish Bank	12%	C. Hoare & Co.	11 1/2%
Amro Bank	11%	Hongkong & Shanghai	11%
Henry Ansbacher	11%	Kingsnorth Trust Ltd.	10%
Armed Trust Limited	11 1/2%	Knowles & Co. Ltd.	12%
Associates Cap. Corp.	12%	Lloyds Bank	11%
Banco de Bilbao	11 1/2%	Malinball Limited	11 1/2%
Bank Hapoalim BM	11 1/2%	Edward Mannes & Co.	13%
BCCI	11%	Meghraj and Sons Ltd.	11%
Bank of Ireland	12%	Middle East	11%
Bank of Cyprus	11 1/2%	Morgan Grenfell	11%
Bank of India	12%	National Bk. of Kuwait	11%
Bank of Scotland	11%	National Girobank	11%
Banque Belge Ltd.	11 1/2%	National Westminster	11%
Barclays Bank	11%	Norwich Gen. Tst.	11%
Beneficial Trust Ltd.	13%	People's Tst. & Sv. Ltd.	13%
Brit. Bank of Mid. East	11%	R. Raphael & Sons	11%
Brown Shipley	11 1/2%	P. S. Refson & Co.	11 1/2%
CL Bank Nederland	11%	Roxburgh Guarantees	11 1/2%
Canada Permut Trust	11%	Royal Trust Co. Canada	11 1/2%
Cayzer Ltd.	11 1/2%	J. Henry Schroder Wagant	11%
Cedar Holdings	12%	Standard Chartered	11 1/2%
Charterhouse Japbet	11%	Trada Dev. Bank	11 1/2%
Choulatons	12 1/2%	TCB	11%
Citibank NA	11%	Trustee Savings Bank	11%
Citibank Savings	11 1/2%	United Bank of Kuwait	11%
Clydesdale Bank	11%	United Mizrah Bank	11%
C. E. Coates & Co. Ltd.	12 1/2%	Volkasas Limited	11%
Comm. Bk. N. East	11 1/2%	Westpac Banking Corp.	11%
Consolidated Credits	12%	Whiteaway Laidlaw	12%
Co-operative Bank	11%	Williams & Glyn's	11%
The Cyprus Popular Bk.	11 1/2%	Winttrust Secs. Ltd.	11%
Dunbar & Co. Ltd.	11%	Yorkshire Bank	11%
Duncan Lawrie	11%		
E. T. Trust	12 1/2%		
Exeter Trust Ltd.	11 1/2%		
First Nat. Fin. Corp.	14 1/2%		
First Nat. Secs. Ltd.	13%		
Robert Fleming & Co. 11%			
Robert Fraser	12%		
Grindlays Bank	11 1/2%		
Culnness Mahon	11%		
Hambros Bank	11%		
Heritable & Gen. Trust	11%		

7-day deposits 8%, 1-month 8.75%, fixed rate 12-months £200, 8.75% £10,000, 12-months 10%.
 7 day deposits on sums of under £10,000 8%, £10,000 up to £50,000 8%, £50,000 and over 8%.
 Call deposits £1,000 and over 8%.
 21-day deposits over £1,000 8%.
 Demand deposits 8%.
 Mortgage base rate.

Security in Uganda

A NIGHTMARE seems to be returning to Uganda, the country that suffered so much at the hands of Idi Amin until his overthrow in 1979. A senior U.S. State Department official last week charged that over 100,000 people may have died in recent months either at the hands of government soldiers pursuing rebel forces, or of starvation as a result of a policy which is said to cut off food supplies to villagers suspected of collaborating with the rebels.

The allegations are disturbing, partly because they come from a government which is sympathetic to Uganda's efforts at reconstruction, and partly because they have a disquieting ring of truth. Independent outsiders, such as Amnesty International, have expressed considerable concern about human rights under Mr Obote's administration.

While the scope and scale of the security problems are difficult to ascertain, there are three main causes. The army is ill-disciplined, it has trained despite the efforts first of a Commonwealth team and currently a small British contingent) and underpaid—hence it tends to live by looting.

Secondly, the old antagonism between the Buganda people in the south and President Obote's northern based Uganda People's Congress continues. The antagonism, exacerbated by opposition parties' suspicion that the 1980 elections were rigged, underlies the National Resistance Army, responsible for a series of attacks on army

installations, road traffic and other targets. Finally it is a country where, after the brutalisation of the Amin era, life is still held cheap and guns are plentiful. It would be a tragedy if the security problems undermined President Obote's considerable achievements.

On regaining power he immediately stamped his authority on the country. His priority was the rehabilitation of the economy, and within six months of coming to office Uganda had embarked on the first of a series of International Monetary Fund programmes, backed by tough, sensible budgets.

The results have been remarkable. Exports of coffee, tea, cotton have risen, inflation has fallen from 100 per cent to under a third of that, and private investors, such as Mitchell Cotts on the tea estates, are coming back.

Government officials have in the past hoped that this slow but steady economic recovery would help ease the security problems—a regularly paid army would be less inclined to loot and kill. But clearly more is required. Mr Obote must exercise his personal authority and demonstrate that he can bring his army under control. Otherwise his achievements are in jeopardy.

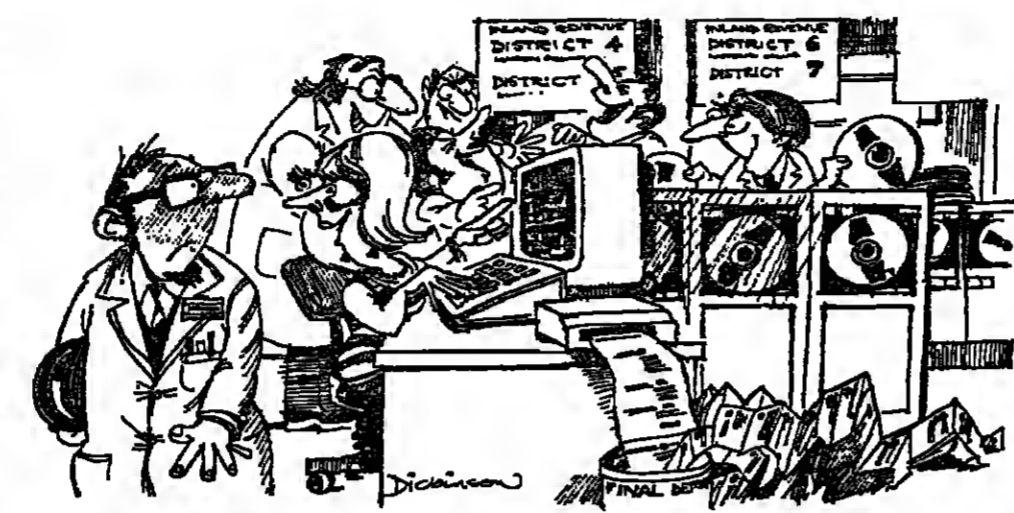
UK TAX REFORM

Dawn of the taxing computer

By Clive Wolman

ALL THE elements of a classic British botch-up of Concord...

new tool in the Revenue's investigations of the black economy and tax fraud...



I've just tapped into your personal returns, Mr Johnson—your maths have been wrong for years

Revenue officials complained that 'Cop' (Computerisation of the Pay As You Earn system) has degenerated into a makeshift preservation scheme.

No other system will have such flexibility

pean and North American countries in computerisation. Even today, UK income tax based on the PAYE system is being administered by about 25,000 clerical workers...

which, it believed, would require a different computer system. Fourteen years later, still no final decision has been made on the integration issue.

In 1974, when Labour took over, it rejected the tax credit proposals and later with a squeeze on public expenditure, halted further progress.

The high cost of all these delays is only partly indicated by the £30m net annual saving, in 1984 prices, that Cop will bring after allowing for the installation costs of £228m.

Also, as Mr Tony Christopher, general secretary of the Inland Revenue Staff Federation, points out, it would have been much easier in the 1970s to have re-deployed the staff made redundant by Cop, as staff numbers were increasing rapidly to a peak of 85,000 in 1978.

The Revenue's projection for staff savings from Cop is now 4,000, with another 1,700 job losses from computerising Schedule D income tax.

The IFS, an independent 'think-tank', suggests that Cop may be too centralised to permit integration at local level.

Mr Matheson dismisses the suggestion as technology develops, his system will allow more 'local intelligence' to be introduced. Meanwhile, he says, mainframe computers are still much cheaper when it comes to issuing 9m tax return forms or programming in budgetary tax changes.

The Revenue would be able to plug in its computers to those of the Department of Health and Social Security so that data could pass from one system to the other.

ICL's chances have been boosted by its success in meeting the Revenue's tough requirements in the design and pilot stages of Cop, a success which surprised several Revenue officials and outside consultants.

Any such interchange of information between the Revenue and DHSS will have to be registered under the Data Protection Act. But civil libertarians fear this interchange may be only the tip of the iceberg.

Mr Brian Rogers, director-general of the Revenue's technical divisions, dismisses such suggestions as fantasy. Cop's usefulness in improving tax administration, he says, will be limited to cutting the errors in PAYE coding, which affect about 8 per cent of taxpayers, and in assessments (about 20 per cent). The Revenue is also considering how to use the computers to select more rationally those taxpayers who are sent return forms each year and to speed up the process of assessing their tax bills.

Fewer errors in PAYE coding and assessments

The Revenue's powers to investigate tax evasion are currently much more restricted than those of tax authorities in other democracies—or even those of the UK Customs and Excise. But the Government appointed Keith Committee, which last year recommended an increase in the Revenue's enforcement powers, devoted little attention to the potential of computers.

Nor has the Government yet considered in detail how computers could be used to change the administration of tax—or the taxes (and social security benefits) themselves, despite the Chancellor's claim in the Budget that he was embarking on a programme of radical tax reform.

According to one senior Treasury official: 'No minister has yet asked us how we could rationalise the system after computerisation. But they would probably say, we have more pressing issues.'

Bankers and customers

From Mr L. Levy. Sir, — As I regularly see customers and non-customers to discuss their borrowing requirements, I was interested to read Mr Pearce's letter on August 2.

Letters to the Editor

ceed are naturally optimistic. While their possible lack of financial skill can be balanced by a good accountant and bank manager, there are many hurdles to overcome. New premises have to be found and planning permission can be slow.

Lending

From the Managing Partner, Corporate Consulting Group. Sir, — The Lex analogy (August 6), that non-executive directors, like bidets, add tone but are capable of different uses, stirs the imagination and invites extensions.

BA supports competition and is in favour of domestic de-regulation

From the Chief Executive, British Airways. Sir, — Your first leader (August 9) is the third to be written recently on the subject of the future of the British airline industry. It is also the third to campaign forcefully for the reduction of competition on certain air routes by disbarring British Airways from flying there.

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COMPANIES AND MARKETS FINANCIAL TIMES

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U.S. withholding tax move may spark contest for capital

BY STEPHEN LEWIS

THE U.S. decision to remove withholding taxes from interest payments on domestic bonds could well be only the first round in an international contest to attract capital. The starting-point for this contest has been the unprecedented growth in the U.S. balance of payments current account deficit in the past two years.

A worsening in the U.S. current account position has not been accompanied by dollar weakness because the U.S. has been able to attract increasing inflows on capital account.

This, however, has required progressively higher U.S. interest rates. Since the beginning of 1984, U.S. short-term interest rates have risen by 300 basis points relative to their counterparts in West Germany and Japan.

On a Treasury bond yield comparison, U.S. yields have increased by almost 4 percentage points relative to their West German and Japanese equivalents when the change in the withholding tax law was first mooted in June. Since then, probably partly as a response to the change in the law, U.S. bond yields have eased back by more than one percentage point.

The removal of the U.S. tax has effectively increased the yield received by an international investor, although the practical extent of this improvement will, for many investors claiming benefits under double taxation rules, not be as great as the full tax payment which would have been withheld under the old rules.

Even so, the threat of diversion of capital to the U.S. domestic bond market has been substantial enough to prompt the West German authorities to consider removing their own 25 per cent coupon tax. They are likely soon to produce a concrete proposal for abolishing this tax, hoping thereby to prevent the dollar from establishing an ad-

vantage over the D-Mark as a home for international funds.

Where does the UK stand in this competition for bond investment? The general rule is that interest payments on UK Government bonds are made net of tax, whether held by a domestic or an overseas investor. The exceptions to this rule are War Loan, on which interest is payable before deduction of tax to any holder, and a range of bonds, mostly issued in the 1970s when sterling was chronically weak, which are free of tax to residents abroad.

However, neither of these exceptions is likely to put the UK in a strong position to compete for international capital. Because of War Loan's unique tax feature, it already stands on a yield well below yields on other UK Government bonds. This reduces its intrinsic yield attraction.

Furthermore, a foreign investor must first register as such with the UK Inland Revenue before being able to take advantage of the provisions relating to those stocks which are free of tax to residents abroad.

The UK, therefore, could well be at a disadvantage compared with other major countries, in the newly developing environment for bond taxation. There is a danger that sterling will tend to be depressed relative to other currencies as the UK gilt-edged market fails to secure its share of international bond investment.

The problem is unlikely to be solved by the UK authorities' reverting to the practice of the 1970s of issuing government bonds free of tax to residents abroad. The registration procedure required of foreign investors would still act as a disincentive to investment in UK gilts.

Stephen Lewis is a partner in London stockbrokers Phillips and Drew.

INTERNATIONAL BONDS

New York rally prompts feast

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NEVER KNOWN to do things by halves, the Eurobond market went on a real binge last week, cooking up a veritable feast of 00 less than \$2.3bn in new dollar paper.

It was a richly varied array of straight bonds, floating rate notes, bonds with equity warrants, bonds with warrants, plain warrants and even a lone convertible. In fact all that seemed to be missing were a few "flip-flop" floaters for pudding. The occasion - an unstinting celebration of the rally in the New York bond market.

For once there were also few immediate signs of the usual indigestion. The secondary market simply refused to take fright at the sight of all this new paper. Buoyed up by Wall Street, fixed rate dollar bonds were up by an average of 1 1/4 points over the week as a whole with gains of up to around four points recorded by some individual issues.

It would be easy to conclude from all this that a new golden era - or at least a golden fortnight - has

dawned for the bond market. But a closer look at last week's performance suggests that all may not necessarily be plain sailing from now on.

In the first place not all last week's new issues were particularly well received. Second, the patchy performance of the secondary market suggests that price movements were determined above all by professional short-covering rather than genuine retail demand. Retail buyers were seen in Europe but in far fewer numbers than in New York.

Partly because of this, some bankers are still a little suspicious of last week's rally.

Short term Eurodollar rates are still bouncing along at around the 12 per cent mark, while any drop in dollar interest rates that weakens the dollar puts European investors in a real quandary. Should they buy now and risk currency losses later? Or should they wait for the current to drop and miss those succulent yields?

Few market participants could fail to notice that the best performers last week were again floating rate notes. The new \$250m Dresdner Bank issue which carries equity warrants traded on Friday 1/4 points above its 185 issue price.

The \$100m Atlantic Federal issue, whose interest is linked to U.S. Treasury security yields, appealed to institutional investors and traded at a narrow discount of only five basis points. Also well-received was the \$500m floater for Italy which appealed because its size guarantees trading liquidity and because of its conventional structure.

True, the fixed rate market also saw some successes. The \$150m, 13 1/2 per cent issue for CSB Overseas Capital Corp was increased to \$250m on Friday through the issue of a \$100m tap stock.

But the \$200m for Beatrice Foods proved too much for the market to digest and moved very slowly indeed. So, to a slightly lesser degree,

did the \$300m issue for Texaco which failed to respond to a new secondary market surge on Friday, remaining stuck at a discount around its total fees of 1 1/4 per cent.

With this deal it was the warrants that really caught investors' fancy. They allow the purchase of a 12 1/2 per cent, eight year issue at any time over the next three years. Originally priced at \$17, they traded up to \$21.50 on Friday afternoon.

All this suggests investors are more anxious than anything else to hedge their bets. A small outlay on warrants brings with it the chance to lock into high yields in the future if interest rates do drop. By then the dollar should be cheaper too. For many this still seems preferable to pouring large amounts of money into the Eurobond market before the rally has become really firmly established.

Whether this occurs will still depend heavily on developments in New York.

Banks face problem with debt monitoring

BY OUR EUROMARKETS CORRESPONDENT

HOW WILL creditor banks monitor the performance of Latin American debtor countries once the International Monetary Fund has done its work and they are on their own?

This has become one of the thornier questions exercising Mexico's creditor banks as they continue their search for a new multi-year rescheduling agreement.

Mexico has told them that it sees no need for a new IMF programme when the present one expires at the end of next year, but it wants to renegotiate debts falling due right up to the end of the decade.

Not surprisingly the banks are reluctant to espouse a deal that would largely fall right outside the umbrella of the IMF. As the Mexican talks continue this week they will be looking at ways of getting round this problem.

But the IMF itself is proving remarkably reluctant to help. It argues that it is up to the banks themselves to organise their long term relationship with Mexico.

Above all it wants nothing to do with any arrangement that would force it to impose an overall ceiling on Mexico's foreign debt for the life of any debt rescheduling agreement.

One way out could be to use the Washington-based Institute of International Finance which was set up by the banks themselves to gather information on the debtors.

U.S. banks could, however, face anti-trust problems if its recommendations were ever to be construed as binding. Besides, not all lenders to Mexico are members.

Another idea would be for the IMF itself to publish the conclusions of its annual survey of Mexico's economy.


The Group of Ten leading industrial countries are already looking at such a possibility in the case of their own economies, but for some of them it remains a very controversial issue and any decision would come too late for the Mexican deal.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Au. life years	Coupon %	Price	Lead Manager	Offer yield %	Borrowers	Amount m.	Maturity	Au. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS															
Yamaha Int'l	150	1990	10	3 1/2	100	Namur Int'l, Salomon Bros.	3.500	U.S. DOLLARS	75	1986	12	13 1/4	100	Banque Paribas	13.250
Yamaha Int'l	1000	2004	20	0	100	Merrill Lynch	11.53	Texaco 7 1/2	1000	2004	20	0	10 1/2	Merrill Lynch	11.53
Yamaha Int'l	100	1991	7	12 1/2	99 1/2	Merrill Lynch	12.687	ADB 11 1/2	100	1991	7	12 1/2	99 1/2	Namur Int'l	12.687
D-MARKS															
Dresdner Bank 7 1/2	250	1992	8	0	115	Dresdner	5.462	Dresdner Bank 7 1/2	250	1992	8	0	115	Dresdner	5.462
SWISS FRANCIS															
Shikoku Elec. Power 7	100	1992	-	5 1/2	100	UBS	5.875	Shikoku Elec. Power 7	100	1992	-	5 1/2	100	UBS	5.875
ANZ Bank 7	100	1990	-	5 1/2	100	SBC	5.750	ANZ Bank 7	100	1990	-	5 1/2	100	SBC	5.750
State BK. of NSW 7	100	1994	-	5 1/2	100	UBS	5.750	State BK. of NSW 7	100	1994	-	5 1/2	100	UBS	5.750
Kame Elec. Power 7	50	1989	-	8 1/2	99 1/2	SBC	6.957	Kame Elec. Power 7	50	1989	-	8 1/2	99 1/2	SBC	6.957
STERLINGS															
American Brands Inc. 7	30	2000	25	12 1/2	98.545	Morgan Grenfell	12.695	American Brands Inc. 7	30	2000	25	12 1/2	98.545	Morgan Grenfell	12.695
Denmark 7	75	1994	10	11 1/2	100	Hambros	11.875	Denmark 7	75	1994	10	11 1/2	100	Hambros	11.875
GILDSERS															
World Bank	300	1994	10	8 1/2	-	ABN	-	World Bank	300	1994	10	8 1/2	-	ABN	-

This announcement appears as a matter of record only.

July 1984



Republic of Portugal

U.S. \$400,000,000

Medium Term Loan including a European Currency Unit Tranche

Lead Managed by

American Express International Banking Group	Arab Banking Corporation (ABC)
The Bank of Tokyo, Ltd.	Banque Nationale de Paris
Barclays Bank Group	Chase Manhattan Capital Markets Group
Chemical Bank International Group	Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft	Compagnie Luxembourgeoise de la Dresdner Bank AG
	- Dresdner Bank International -
Crédit Lyonnais	The Dai-ichi Kangyo Bank, Limited
The Fuji Bank, Limited	IBJ International Limited
Lloyds Bank International Limited	Manufacturers Hanover Limited
The Mitsubishi Bank, Limited	The Mitsubishi Trust and Banking Corporation
National Westminster Bank Group	Orion Royal Bank Limited
Sanwa Bank Merchant Banking Group	Société Générale de Banque S.A.
	- Banque Belge Limited
	The Sumitomo Bank, Limited
	Union Bank of Switzerland

Managed by

Alahdi Bank of Kuwait K.S.C.	Banco di Napoli International S.A.
Kuwait Foreign Trading Contracting & Investment Co. (KFTCIC)	The Kyowa Bank, Ltd.
The Mitsu Bank, Limited	The Sumitomo Trust & Banking Co., Ltd.
The Taiyo Kobe Bank, Limited	The Toyo Trust and Banking Company, Limited
The United Bank of Kuwait Limited	The Yasuda Trust and Banking Company Limited

Co-Managed by

Bank of Ireland	Deutsche Bank	The Hokkaido Takushoku Bank, Limited
Trust Bank of Africa Limited, London Branch	Compagnie Financière Luxembourg	

Funds provided by

Alahdi Bank of Kuwait K.S.C.	American Express International Banking Corporation	Arab Banking Corporation (ABC)
Associated Japanese Bank (International) Limited	Banco di Napoli International S.A.	Banco di Sicilia, New York Branch
The Bank of Tokyo, Ltd.	Bank of Tokyo International Limited	Banque Belge Limited
Bank of Ireland	Barclays Bank International Limited	Banque Nationale de Paris
The Chase Manhattan Bank, N.A.	Chemical Bank (France) S.A.	Cassa di Risparmio delle Province Lombarde (London Branch)
Commerzbank International S.A.	Compagnie Luxembourgeoise de la Dresdner Bank AG	Citibank, N.A.
Copenhagen Handelsbank International S.A.	Crédit Lyonnais	- Dresdner Bank International -
The Dai-ichi Kangyo Bank, Limited	The Daiwa Bank, Limited	The Fuji Bank, Limited
HFC Trust & Savings Limited	Compagnie Financière Luxembourg	The Hokkaido Takushoku Bank, Limited
The Industrial Bank of Japan, Limited		International Westminster Bank PLC
Kuwait Foreign Trading Contracting & Investment Co. (KFTCIC)	Kuwaiti-French Bank	The Kyowa Bank, Ltd.
Lloyds Bank International Limited	Manufacturers Hanover Bank (Co-operative) Ltd.	The Sumitomo Trust & Banking Co., Ltd.
Malayan Banking Berhad	The Mitsubishi Bank, Limited	The Mitsubishi Trust and Banking Corporation
The Mitsu Bank, Limited	Nippon European Bank S.A.	PKBANK International (Luxembourg) S.A.
The Royal Bank of Canada Group	The Rural and Industries Bank of Western Australia	SAIRAMA Bank (Europe) S.A.
Sanwa Bank, Limited	Société Générale de Banque S.A.	Standard Chartered Bank PLC
The Sumitomo Trust & Banking Co., Ltd.	The Taiyo Kobe Bank, Limited	The Tokai Bank, Limited
The Toyo Trust and Banking Company, Limited	Trust Bank of Africa Limited, London Branch	Union Bank of Switzerland
The United Bank of Kuwait Limited	The Yasuda Trust and Banking Company Limited	

Agent Banks

The Industrial Bank of Japan, Limited	Lloyds Bank International Limited
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This announcement appears as a matter of record only. The Notes were offered and sold outside of the United States of America and have not been registered for offer or sale therein.

U.S. \$600,000,000

General Electric Credit International N.V.

Zero Coupon Guaranteed Notes Due 1996

Unconditionally guaranteed as to payment by

General Electric Credit Corporation

Goldman Sachs International Corp.

Yamaichi International (Europe) Limited

Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V.	Amro International Limited
BankAmerica Capital Markets Group	Banque Nationale de Paris
Banque Paribas	Commerzbank Aktiengesellschaft
Crédit Commercial de France	Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft	European Banking Company Limited
Kredietbank International Group	Lehman Brothers International
Merrill Lynch Capital Markets	Shearson Lehman/American Express Inc.
Orion Royal Bank Limited	Morgan Stanley International
Société Générale de Banque S.A.	Salomon Brothers International Limited
S.G. Warburg & Co. Ltd.	Union Bank of Switzerland (Securities) Limited
	Wood Gundy Limited

July, 1984

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Wall Street traders take Treasury sale in their stride

THERE was plenty of good news for the U.S. credit markets last week but by Friday it had begun to look as if the string rally was beginning to run out of steam.

The Treasury's \$16.75bn quarterly re-funding programme dominated the week, and the credit markets rose or fell in response to the success of the individual issues.

However, it also became clear by Thursday evening that there had been some special factors at work in fuelling the heavy demand for the Government's paper, after five leading U.S. institutions led by Salomon Brothers admitted that they had bought over a third of the \$4.75bn issue which they planned to repackage and sell to overseas investors in anonymous bearer form.

Ever since the U.S. repealed its 30 per cent interest withholding tax earlier this year, U.S. investment bankers have been working on plans to herd foreign investors into U.S. government securities.

The innovativeness of Salomon Brothers' play was admired by market technicians but by the end of the week there were signs of a growing political backlash from certain members of Congress who feel that the scheme could imply tax dodging.

The day after the Salomon Brothers announcement the Senate passed a non-binding resolution ordering the U.S. Treasury to prevent sales of U.S. government-backed securities in bearer form.

Finnish groups in \$40m takeover

AMER GROUP, the Finnish tobacco, paper and publishing company which has a London stock market listing, is to acquire the Korpiavaara Group in a deal worth FM 237m (\$40m).

The purchase, one of the biggest domestic takeovers ever seen in Finland, stands to more than double Amer's sales base and add a big foreign car importing business to existing trading divisions.

Korpiavaara had sales last year of FM 1,099m and net profit of FM 36m. Amer produced net profits of FM 52m from sales of FM 526m in 1983, and expects earnings for 1984 to total FM 57m.

Ameris to acquire 88 per cent of Korpiavaara for shares and cash. The remaining 12 per cent of the company will be retained by the founding Korpiavaara family.

At the end of 1983, the combined group had a net worth, including untaxed reserves, of FM 434m (\$90m) of which Korpiavaara contributed FM 178m.

William Hall

IC Industries bids \$560m for aircraft components maker

BY WILLIAM HALL IN NEW YORK

IC INDUSTRIES, the Chicago-based conglomerate formed around the Illinois Central Gulf Railroad, has signed a definitive agreement to acquire Pneumo Corporation, a leading supplier of aircraft components, for \$560m.

Pneumo, which earned \$21.1m in the first half of the current year, is a leading supplier of aircraft landing gear, flight controls and thrust-reverser actuation systems for military and commercial aircraft.

IC which earned \$46.7m in its first six months, currently supplies the aerospace industry through its Abex operation, a producer of hydraulic pumps, motors and pump-motor packages.

Mr William Johnson, IC Industries chairman, said the acquisition means that IC would "take a giant step toward achieving some of the objectives of its long-term strategic plan."

Under the deal, which has been agreed by the boards of both companies, IC Industries will purchase for \$38 a share, a 55 per cent stake in Pneumo. This will result in acquiring just over 8m Pneumo shares for \$308m in cash and the balance for slightly more than 9.8m unissued IC Industries shares, based upon the August 8 closing price of \$26.25.

In connection with the deal, Pneumo has granted IC Industries an option to purchase 2.7m shares of Pneumo at \$38 a share and an option to purchase Pneumo's Cleveland pneumatic subsidiary for \$200m.

IC Industries says that the acquisition will enhance the technology of its commercial products operations, increase Abex's share of defence programmes and strengthen the group balance sheet.

Hong Kong plans first floating rate issue

HONG KONG—The Mass Transit Railway Corporation (MTR) has approved the issue of HK\$500m in floating rate notes.

The MTR is a public statutory body, wholly owned by the Hong Kong Government.

The notes will have a maturity of eight years. Interest rate will float in line with the three-month Hong Kong interbank rates. The three-month rate is currently in the 12-13 per cent range. Investors will have the option of redeeming the notes after five years.

The MTR said the notes will be Hong Kong's first Hong Kong dollar floating rate issue. They are designed specifically to attract local investors. MTR expects to complete the issue next month. Lead managers are Morgan Guaranty and Manufacturers Hanover Asia.

AP-DJ.

Contrasting results from U.S. insurers

BY OUR FINANCIAL STAFF

HALF-YEAR results from two U.S. insurance groups reflect contrasting fortunes in the sector.

Continental Corporation, which owns Continental Insurance, one of the nation's largest property-casualty underwriters and has lesser interests in life insurance and consumer finance, lifted second quarter net operating profits from \$10.9m to \$18.3m, or from 20 cents to 30 cents a share.

At the six-month stage, however, net operating earnings totalled \$31.7m or 58 cents a share as still well below the previous year's \$37.8m.

After boosting profits for the opening three months, E. F. Ahmann saw its second quarter earnings plummet from \$22.2m or 90 cents a share to \$15.6m or 56 cents a share. This lowered first half profits from \$33.6m or \$1.80 a share to \$31.2m or \$1.12 a share.

Commodore International, a leading U.S. microcomputer manufacturer, boosted net profits by 57 per cent and sales by 88 per cent in the year to June.

The company forecast further growth in income and a substantial rise in sales for the current year.

In the fourth quarter to June 30, profit was ahead \$6.2m to \$53.1m, or from 87 cents to \$1.67 a share, while sales rose from \$143.8m to \$168.6m, or \$2.86, against \$91.7m or \$2.86.

Annual sales soared from \$68.1m to \$127.7m with an \$58.3m jump in the final quarter to \$30.2m. The strong momentum for 1984 is carrying forward into the current year, the company said.

For the past three months the tax provision was \$17.8m, against \$3.3m a year earlier, for the full year \$30.7m, compared with \$24.9m.

Sharply higher tax provisions over the year arose because of "increasing profitability in countries with high tax rates."

The total net for 1983-85 included a \$3.7m extraordinary tax credit.

Anten Schraff vice-chairman of HOLLERBANK: FINANCIERE GLARUS, Swiss parent company of Hollerbank, Mr Schmidheiny remains group management chairman.

Mr Patrick L. Brennan has been named general manager for North and South America of GULF BANK, headquartered in New York. He is responsible for the bank's operations in the Caribbean, Latin America, and the Gulf of Mexico.

Mr Charles C. Casemeyer has been promoted to director of aircraft division of the McDONNELL DOUGLAS CORPORATION. Since 1977 he has served as manager of the technology marketing group.

World banking chief for Bank of America

Robert W. Friek has been elected vice chairman of BANK OF AMERICA and named to head the world banking division. He was chief financial officer, and fills a position left open since the retirement of Mr W. E. Bolin earlier this year.

World banking division is one of the Bank's four major profit centres, representing in 1983 assets of \$10.3bn and net loans of \$3.8bn. Mr Friek was appointed in 1981 executive vice president and cashier for the bank and the holding company, BankAmerica Corp.

Before these appointments, he headed the financial services division. Previously he served as managing director of Bank of America International in London, heading the worldwide merchant banking activities.

Mr Leland S. Prussia, chairman of the board for the bank and the corporation, will take the responsibilities of chief financial officer of the bank.

Mr Henri de Villiers, currently group managing director of STANDARD BANK INVESTMENT

CORP (Stanbic), Standard Chartered Bank's South African subsidiary, will retire in January 1985, but will become chairman of Standard Bank Investment Corporation and of the Standard Bank of South Africa, when Mr Ian Mackenzie, the current chairman, retires in April 1985. Dr Conrad Strauss will succeed Mr de Villiers as group managing director of Stanbic. Mr John Davidson will succeed Dr Strauss as managing director of the Standard Bank of South Africa.

TEXACO INC has elected Mr James H. Hays, vice president of Texaco USA and assistant to the executive vice president, Mr Donald Bickmore, as named director of Texaco USA, in charge of a new exploration division to be based in Los Angeles. Dr Ramsey Farley becomes director of research in Texaco's exploration and production organisation. They were all with Getty Oil Company.

PRIME COMPUTER has appointed Mr Ken Morphy, one of its senior UK managers, as managing director of its Italian subsidiary company Prims Italia SPA, based in Milan.

Mr Nigel R. Harrison has been appointed vice president-

INTERNATIONAL APPOINTMENTS

THOMSON ORGANISATION (ITOL) and will have overall responsibility for financial management. He is vice president and chief financial officer of International Thomson Holdings Inc, principal U.S. subsidiary of ITOL. Mr Mark D. Knight, secretary of ITOL, has additionally been appointed as vice president. Mr A. J. B. Mawdsley, financial director of International Thomson Organisation, principal U.K. subsidiary of ITOL, has decided to leave the company by the end of 1984. He will be succeeded by Mr F. F. Higgins.

AIRSPACE MANAGEMENT SYSTEMS, Brussels, has appointed Mr Alan Carnell as chairman, and Mr Giovanni Medoletto as vice-chairman. Mr Carnell succeeds Mr Louis Chambliss, Aerospace Systems Alcatel who was the founder chairman. AMS, a multi-national joint venture company, appoints its two top executives on a rota basis as chief executive of the new holders. Mr Carnell is from Racial Electronics and Mr Medoletto from Italtel. AMS was formed to assist NATI in the development and implementation of its air command and control system. Member companies of AMS are Boeing and Westinghouse, U.S.; SEL Standard Elektronik Lorenz and ESSC Elektronik System Gesellschaft, West Germany; SISA Informatique de la Systemes et de Reseau, France; Rascal/Decca and Logica, U.K., and Italtel and associated members, Italy.

Mr Benke A. Sells, vice-chairman, has been elected president of the DAYTON HUDSON CORPORATION board. Mr Kenneth A. Macke, president and chief executive, has become chairman. Mr Sells has also been elected to the board. The changes take effect August 1. Mr Sells joined Dayton Hudson in June 1983 from the National Corp. Cleveland-based, specialty retail company, where he was president and chief operating officer.

Mr David H. Horowitz, co-chief operating officer of WARNER COMMUNICATIONS has been appointed president and chief executive officer of the new Warner Amex Cable Communications company, MTV Networks. MTV Networks is comprised of two satellite cable programming services of Warner Television, the 24-hour rock music channel

FT INTERNATIONAL BOND SERVICE

Sweden Kingdom 5% 84 125 100 100% +0 +1 5.72

YEN STRAIGHTS Issued Bid Offer Change on Yield

OTHER STRAIGHTS Issued Bid Offer Change on Yield

CONVERTIBLE Conv. Crv. Bid Offer Chg. Prem

EUROBOND TURNOVER

(nominal value in \$m)

U.S. \$ bonds 7,847.8 18,592.4

Other bonds 1,525.7 1,273.2

STRAIGHT BONDS: The yield is the yield to redemption if the mid-price, the amount issued in current market, is used.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Cdn=Data next coupon becomes effective. Spread=Margin above six-month offered rate (three-month) above mean rate for U.S. dollars. Ccpn=The current coupon. Cvd=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=change on day. Conv. date=First date for conversion into shares. Cvd. price=Nominal amount of bond per share expressed in current market price. Cvd. rate=Percentage premium of the current effective price of acquiring shares over the bond over the most recent price of the shares.

Monthly Income Deposit Account

With effect from 10th September 1984 interest on Midland MIDAS Accounts will be reduced by 1/2% to 10% per annum.



Midland Bank plc, 27 Poultry, London EC2P 2BX

Grindlays Bank p.l.c. Interest Rates

Grindlays Bank p.l.c. announces that its base rate for lending will change from 11 1/2% to 11% with effect from August 13 1984

The interest rates paid on call deposits will be: call deposits of £1,000 and over 8% (call deposits of £300-£999 7%)

Rates of interest on fixed deposits of over £5,000 will be quoted on request. Enquiries: Please telephone 01-930 4611



Head Office: 36 Fenchurch Street, London EC3P 3AS

Company Notices INTERFIRST TEXAS FINANCE N.V. USS100,000,000

Guaranteed Floating Rate Notes due 1989 In accordance with the provisions of the Notes, notice is hereby given that for the three months' period, 10th August 1984 to 13th November 1984, the Notes will carry a Rate of Interest of 12 1/2% per annum with a Coupon Amount of USS318.32

FT EUROPEAN TOP 500 SURVEY

REPRINTS OF A SERIES OF ARTICLES ARE NOW AVAILABLE FROM: Nicola Bankam Publicity Department Financial Times Bracken House 10 Cannon Street London EC4P 4BY Price £2.50

Amer Group Ltd Notice of an Extraordinary General Meeting

An extraordinary general meeting of Amer Group Ltd will be held on Thursday, 23rd August, 1984 at 10.00 am at the Group's headquarters in Tuusula, Finland.

On 30th January 1984 the annual general meeting of the Board of Directors to increase the share capital up to FM 159,740,000 by issuing new shares will be held on 30th August 1984.

Hongkong Bank

announces that on and after 13th August, 1984 the following annual rates will apply

Base Rate . . . 11% Deposit Rate (basic) 8% (Previously 11 1/2%) (Previously 8 1/2%) The Hongkong and Shanghai Banking Corporation The British Bank of the Middle East Wardley London Limited

DEUTSCHE MARK STRAIGHTS

Allied Chemical 7% 84 125 100 100% +0 +1 5.72

YEN STRAIGHTS Issued Bid Offer Change on Yield

FT INTERNATIONAL BOND SERVICE

Sweden Kingdom 5% 84 125 100 100% +0 +1 5.72

YEN STRAIGHTS Issued Bid Offer Change on Yield

CONVERTIBLE Conv. Crv. Bid Offer Chg. Prem

UK COMPANY NEWS

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All the Ordinary Shares have been allotted. This announcement appears as a matter of record only.



Gold Peak Industries (Holdings) Limited

NEW ISSUE AND OFFER FOR SALE OF 63,000,000 Shares of \$0.50 each at \$1.50 per Share

Underwritten by SCHRODERS & CHARTERED LIMITED

The principal activities of the Group are the development, manufacture and marketing of batteries and car audio equipment.

- GP Electronics Limited
GPI International Limited
GPI (Japan) Limited
Gold Peak Industries (Taiwan) Limited
HBS Marketing (Asia) Limited
Syva Industries Limited
Whitehill Property Limited

The 63,000,000 Shares in issue are listed on the principal Stock Exchanges in Hong Kong.

DERWENT VALLEY HOLDINGS plc
Share Capital: Issued and fully paid £69,000, 10% Cumulative Redeemable Preference Shares of £1 each £31,000

Overseas sales boost Thames TV to £13m

Thames Television had a record year for advertising revenue and overseas programme sales, bringing pre-tax profits to £13.7m for the year to the end of March 1984 against £8.8m, says Mr Hugh Dundas, chairman.

Mr Dundas says it is reasonable to describe the outlook for the current year as "bright", but emphasises that profit levels would be far from satisfactory without the continuing growth of programme sales overseas.

"This reliance on a subsidiary activity is unsatisfactory," he says, and adds that efforts must be made to increase overall efficiency and productivity.

He says Channel Four Television made welcome advances towards gaining the revenue based in the London area which is necessary to support its costs.

However, it remains a substantial commitment—Thames' subscription being £20.54m plus a proportion of IBA rental. "This represents a very considerable sum," says Mr Dundas, but he has been encouraged by progress made on the programme side by Channel Four and encouraged by the distinctive identity which the Channel is achieving.

Profit before tax and exchange levies for this unquoted company was £16.17m (£9.03m) with exchange levies amounting to £2m (£1.75, 000).

After tax of £5.6m, profits amounted to £7.55m, of which £3.78m was distributed as dividends, representing a proposed final dividend of 3.7p a share, and an interim dividend of 4.2p per share. Retained profits were £3.78m.

RioZim setback at interim stage

FIRST-HALF 1984 earnings of Rio Tinto Zimbabwé (RioZim) have dropped to £21.36m (£203,000) from £23.09m in the same period of last year, the latest figures being a credit of £280,000 from the sale of surplus stores and equipment from the closed-down Empress nickel mine. Furthermore, RioZim thinks it likely that the second half profit will be lower.

Turnover fell by £21.9m compared with a year ago, mainly because of the absence of nickel and copper sales; following the

Wm. Cook maintains progress to £0.6m

The improvement in performance at William Cook & Sons (Sheffield), first reflected in last year's results, has been satisfactorily maintained.

On sales of £5.96m, against £5.15m, pre-tax profits of this steel founder advanced from £344,000 to £575,000 for the year to March 31 1984. At halfway, likeable figures were ahead from £245,000 to £248,000.

The year's dividend is lifted by 1p to 2.5p net, with a final of 1.5p. Earnings per 20p share increased from 6.12p to 11.4p.

Tax took £5,000, against £38,000, while £750,000 of deferred tax was transferred from reserves. Last year, there was also an extraordinary charge of £63,000.

MINING NEWS IN BRIEF

BECAUSE OF foreign exchange losses arising from the fall in the value of the South African rand the coal-producing Welgedacht Exploration expects to pass its final dividend for the current year to September 30.

It has had to provide for exchange losses in respect of liabilities and at the end of last September there were outstanding Eurodollar loans of R6.46m. The company says that the coal-mining activities remain profitable and financing arrangements are currently adequate to maintain operations.

P. Marians goes unconditional

The offer by Mr S. A. Fussell to acquire the capital of Priest Marians Holdings not already owned by him and persons acting with him closed on August 9, having become unconditional in all respects. Acceptances have been received in respect of 11,870 ordinary shares (7.83 per cent of the capital) and 12,626 Preference shares (18.83 per cent).

Mr Fussell held 42,800 ordinary (28.25 per cent) and 25,545 Preference (24.46 per cent) shares before the offer period. He sold 1,000 ordinary during the offer period at 43.5p each to meet certain expenses. Persons acting with him closed on August 9, having become unconditional in all respects. Acceptances have been received in respect of 11,870 ordinary shares (7.83 per cent of the capital) and 12,626 Preference shares (18.83 per cent).

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COMPANY NEWS IN BRIEF

Northern Engineering Industries Africa, the 62.5 per cent owned South African subsidiary of Northern Engineering Industries, increased pre-tax operating profit from R8.8m (£4.2m) to R12.1m in the six months to end April 1984.

Turnover of this manufacturer and supplier of heavy industrial equipment fell from R105.7m to R96.2m in the same period. In the full year 1983 operating profit was R35.9m and turnover R210m.

First half earnings rose from 99.1 cents to 124 cents and the interim dividend has been raised from 30 cents to 38 cents per share.

Earnings in 1983 were 310.6 cents and the total dividend was 113 cents.

Pre-tax profits at Goode Durrant & Murray Group fell from £1.2m to £900,000 in the six months to end April 1984.

At the last full year end, reporting results slightly down on £2.62m (£2.77m), Mr L. E. Robinson, the chairman of this banking services, financing and property development group, was optimistic about the company's future.

Turnover for the half year improved from £28.95m to £35.12m.

F.T. Share Information

The following securities have been added to the FT Share Information Service:

- Applied Holographics, ordinary and warrants (Section: Electronics)
Churchill Energy (Oil and Gas)
Clogau Gold Mines (Mining—Finance)
Fluorland Oil & Gas (Oil and Gas)
Northern (Electricals)
P.L.M. AB "B" (Industrial)
President Entertainments (Leisure)
Trancharwood (Property)

Burton dismisses bid speculation

The Burton Group, retail clothing chain, yesterday dismissed itself from takeover speculation which last week drove up the price of Woolworth Holdings to a high for the year of 53.5p.

"Burton does not have plans to bid for Woolworth or any other major retailer," said Mr Michael Wood, the clothing group's finance director. The group has, however, recently paid an undisclosed sum for two Woolworth stores in Oxford Street and Liverpool.

"Obviously, we are in discussions with a view to acquiring more prime sites from Woolworth," said Mr Wood. The disposals are part of Woolworth's policy of pulling out of stores which give an inadequate return.

The interim of 10p compares with the previous year's 10p total.

Dolamore Holdings, wine group, is seeking to raise just over £1m in a rights issue which will be used to finance the takeover of makers Harvard Securities. Dolamore intends to use the £1m to reduce bank borrowings and invest in a number of new wine ventures.

A wine warehouse, complete with car parking facilities, is to be opened in Dorset and negotiations are being held to open a number of wine bars in London's West End and in the City.

These moves are in line with plans to concentrate interests in certain 10p share-dropping group. Having divested itself of non-wine business, the company will have shipping, wholesale and retailing interests and export earnings thriving in the recently launched Moorfields whisky.

The first half of the current year at D. F. Bevan (Holdings) is likely to be disappointing, Mr John Wardle, chairman, tells members in his annual statement, but he says the group should be judged on its performance for the year as a whole as the second half is traditionally better than the first. He believes this trend may be even more pronounced in the current year.

BOARD MEETINGS

- Aug 17 Ault and Wiborg
Aug 18 BCR
Aug 18 Carling Electronic Indus.
Aug 22 Carling (Whitman)
Aug 22 F and C Enterprises Trust
Aug 31 Pire Ind. Assurance
Oct 11 Hambro Life Assurance
Sept 2 Innt. Invest. Trust of Jersey
Sept 8 Leasing
Aug 30 London & Scottish Marine Oil
Sept 13 Prudential
Aug 15 Secur. Assur. Indus.
Sept 11 Trade Indemnity
Sept 11 Verd Holdings
Aug 23 Beales (John)
Aug 28 Helmar
Aug 15 MCKay Securities
Aug 18 Saville Gordon (J.)
Aug 21 Yorkville Chemicals
Aug 21 1 Connected.

U.S. \$125,000,000 THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK
Guaranteed Floating Rate Notes due 1999 Series 95
Redeemable at the Noteholders' Option in 1996
THE KINGDOM OF DENMARK
Notice is hereby given that the Rate of Interest for the second one-month sub-period has been fixed at 12 1/4% p.a. and that the interest payable for the second one-month sub-period in respect of U.S.\$10,000 nominal of the notes will be U.S.\$103.87.

Today's Rate 12 1/4%
3i Term Deposits
Deposits of £1,000-£50,000 accepted for fixed terms of 3-30 years. Interest paid full-yearly. Rates for deposits received not later than 24.8.84 are fixed for the terms shown:

RECENT ISSUES

Table of recent issues with columns for Issue Price, Amount Paid Up, Revenue, High, Low, Stock, and various financial metrics.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Issue Price, Amount Paid Up, Revenue, High, Low, Stock, and various financial metrics.

"RIGHTS" OFFERS

Table of rights offers with columns for Issue Price, Amount Paid Up, Revenue, High, Low, Stock, and various financial metrics.

SHARE STAKES

Patrol Electronics — Hill Samuel Investment Management, as associates of Patrol, have sold on behalf of a discretionary investment client 10,000 ordinary shares at 240p.

PENDING DIVIDENDS

Table of pending dividends with columns for Date, Announcement, Date, and Announcement.

FINANCIAL TIMES STOCK INDICES
Table showing stock indices for Government Secs, Fixed Interest, Industrial Ord., and FT-All-Share.

LADBROKE INDEX
Based on FT Index
842-846 (+2)
Tel: 01-493 5261

Handwritten text at the top of the page, possibly a date or page number.

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, August 10

Main table of American stock exchange closing prices, listing various stocks and their prices.

Continued on Page 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of New York stock exchange closing prices, listing various stocks and their prices.

Continued from Page 14

Notes and footnotes regarding dividend information and other financial details.

WORLD VALUE OF THE DOLLAR every Friday in the Financial Times

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, Closing prices, August 10

Table of stock prices for various companies including AEL, AFB, AIG, etc. Columns include Stock, Sales, High, Low, Last, and Day.

CANADA

Table of Canadian stock prices including Toronto and Montreal markets.

AUSTRIA

Table of Austrian stock prices.

JAPAN

Table of Japanese stock prices.

AUSTRALIA

Table of Australian stock prices.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American stock exchange closing prices for various sectors and companies.

MONTREAL

Table of Montreal stock prices.

SPAIN

Table of Spanish stock prices.

SWEDEN

Table of Swedish stock prices.

NORWAY

Table of Norwegian stock prices.

HONG KONG

Table of Hong Kong stock prices.

SINGAPORE

Table of Singapore stock prices.

SWITZERLAND

Table of Swiss stock prices.

NOTES

NOTES - Prices on this page are as quoted on the individual exchanges and are subject to change.

ENERGY REVIEW every Wednesday in the Financial Times

Handwritten Arabic text at the bottom of the page.

INSURANCE

Life business continues to roll along

BY BMC SHORT

LIFE ASSURANCE in the UK continues to roll merrily along, in contrast to the general insurance side where all is gloom and despondency following last week's interim figures from Commercial Union Assurance.

Figures for new individual life and pensions business in the second quarter of this year, published last week by the three life associations, the Life Offices' Association, the Associated Scottish Life Offices and Industrial Life Offices' Association, showed that regular premium business is more than holding its own in spite of the loss of tax relief on premiums in the Budget, while single premium business continues to bound ahead.

Reported Linked Life Single Premium Sales £m (1983) £m (1984)

Traditional Life Companies Legal and General 124 (76.9) Sun Life 43.6 (25) Prudential 32.8 (21.2) Security and Law 27 (18) Royal Life 20.1 (12) Linked Life Companies Hambro Life 59.1 (60) Target Life 30 (19.8) Westbranch Life 12.1 (19.5)

pensions in this year's Finance Act and sales soared in the few days before the Government denied these rumours. Nevertheless, life companies are reporting a strong underlying trend in sales and there are growing expectations that Mr Nigel Lawson, the Chancellor of the Exchequer, will hit pensions tax concessions in next year's budget to finance the expected cut in income tax.



What has happened to regular premium life contracts since the Chancellor ended tax relief on these premiums? Sales in the second quarter did fall substantially against sales in the second quarter of last year. New annual premiums on traditional ordinary life business were down 40 per cent from last year, from £268m to £167m. New annual premiums on linked-life business were 17 per cent down from £76m to £63m. Industrial life business, where premiums are paid weekly or four-weekly and collected at the homes of policyholders, had an 8.5 per cent drop from £59m to £54m.

CONTRACTS

£23m Dubai airport terminal

Construction of the new £23m arrivals terminal at Dubai International Airport has been awarded to BALFOUR BEATTY CONSTRUCTION in joint venture with DUBAI TRANSPORT (FVT). Work is expected to take 20 months with completion by mid-1988.

Norwest Holst wins £12m cement works construction

A £12m contract has been awarded to NORWEST HOLST CIVIL ENGINEERING for construction work associated with cement works as part of a modernisation programme to achieve a new 3,000 tonnes per day dry process plant. The contract covers civil engineering work associated with the new kiln installation consisting of crushing plant, raw material transport and storage, preheater tower and kiln foundations, clinker and cement blending and storage, together with ancillary services. The work is to have phased completion to suit the mechanical engineering work over a period of about 18 months.

JOHN LAING CONSTRUCTION has won orders together worth £3.79m. At Swinton the company has been awarded £1.1m to modernise 178 council houses for the Salford City Council, in 60 weeks from September. A £3-million contract worth £1.2m for replanning an existing building at Shroo Green Hospital to form a new gynaecology unit. Work starts in September. The company has a third contract at the Mayday Hospital in Croydon. The latest, valued at £1.29m, runs for 104 weeks, and involves alterations to and the upgrading of existing buildings to provide a rehabilitation unit with a hydrotherapy pool together with geriatric wards. Under a £205,000 contract Laing will upgrade 80 single bed wards, bedrooms, including corridors and associated bathrooms, for the congregation of the Daughters of the Cross St Anthony's Hospital. Work will be finished by the end of September.

CHIVERS Our business has been building since 1884. 21 Exmouth Street, Deventer. Telephone 0246 231111. Telex 447950. CHIVERS WE CHIVERS & SONS LTD

Willett has £5m orders

WILLETT has been awarded contracts with a total value of £5m. A warehouse and office is to be built at Endeavour Way for the London Borough of Merion, with an adjoining service bay and one industrial unit. The warehouse is to be a distribution centre for W. H. Smith (£790,000). The old Woolworths store in Barnsey is to be converted to several self-contained retail units for a Partnership Development (£870,000). Extra units are to be constructed at Gillingham Business Park in Kent. The work for the contractor, Developments, is valued at £1.6m and consists of four blocks of two industrial units with integral offices. The contract is to be completed by March 1985. Refurbishment work is continuing at Dial House, Shifeshire. Major extension and alteration work worth £1.1m is to take place at Sainsbury's Supermarket in Tonbridge. The contract includes extensions in the form of a new bulk store and in the storage area of Bentalls' adjoining building. Completion is due in May 1985. Willett is part of Trollope & Collis Holdings, UK building division of Trafalgar House.

OVER-THE-COUNTER

Table of stock prices and market data. Columns include Stock, Sales, High, Low, Last, Change. Rows list various companies like BHP, Anglo, etc.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND, NEW ISSUES (B), 1984

10 1/2 per cent TREASURY CONVERTIBLE STOCK, 1992

MINIMUM TENDER PRICE £95.25 PER CENT PAYABLE AS FOLLOWS £100.00 per cent £30.00 per cent On Monday, 10th October 1984 On Monday, 8th October 1984

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND, NEW ISSUES (B), 1984

10 1/2 per cent TREASURY CONVERTIBLE STOCK, 1992

MINIMUM TENDER PRICE £95.25 PER CENT PAYABLE AS FOLLOWS £100.00 per cent £30.00 per cent On Monday, 10th October 1984 On Monday, 8th October 1984

Indices

Table of financial indices including NEW YORK DOW JONES, AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, and STANDARD AND POORS.

10 1/2 per cent TREASURY CONVERTIBLE STOCK, 1992

MINIMUM TENDER PRICE £95.25 PER CENT PAYABLE AS FOLLOWS £100.00 per cent £30.00 per cent On Monday, 10th October 1984 On Monday, 8th October 1984

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MINIMUM TENDER PRICE £95.25 PER CENT PAYABLE AS FOLLOWS £100.00 per cent £30.00 per cent On Monday, 10th October 1984 On Monday, 8th October 1984

Form for tendering for Bank of England Treasury Convertible Stock, 1992. Includes fields for name, address, and terms of tender.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs. (a), High Income, and others, with columns for name, manager, and performance metrics.

FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing numerous unit trusts like Perpetual Unit Trust Mgmt., Public Unit Trusts, and others, with columns for name, manager, and performance data.

Table of Financial Times Monday August 13 1984, listing various financial products and services with columns for name, manager, and performance.

INSURANCES

Table of Insurance companies and products, including names like Abbey Life Assurance Co. and various policy types.

F.T. CROSSWORD PUZZLE No. 5490

CROSSWORD PUZZLE No. 5490
ACROSS
1 Disarm an animal of French Cape, perhaps (6)

Crossword puzzle grid with numbered squares and a list of clues for both across and down words.

Additional text or notes at the bottom right of the page, possibly related to the crossword puzzle or other content.

هكذا صدقنا القول

Financial Times Monday August 13 1984

Table of financial data including company names, stock prices, and market indices.

INSURANCE, OVERSEAS & MONEY FUNDS

Main table of insurance, overseas, and money funds with columns for fund names, managers, and performance metrics.

Table of money market bank accounts and trust funds, including interest rates and account details.

NOTES: Information regarding interest rates, currency conversions, and other financial details.

"Income Driven" An investment strategy for today's markets



BRITISH FUNDS

Table of British Funds with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity, including names like '20Mar 20Yr Bond' and '20Mar 15Yr Bond'.

Over Fifteen Years

Table of funds categorized by over 15 year maturity, including names like '20Mar 20Yr Bond' and '20Mar 15Yr Bond'.

Undated

Table of undated funds, including names like '13Feb 10Yr Consols' and '13Feb 10Yr Govt'.

Index-Linked

Table of index-linked funds, including names like '20Mar 20Yr Bond' and '20Mar 15Yr Bond'.

CORPORATION LOANS

Table of corporation loans with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

COMMONWEALTH AND AFRICAN LOANS

Table of commonwealth and African loans with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

LOANS

Table of general loans with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

Public Board and Ind.

Table of public board and industrial loans with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

Financial

Table of financial instruments with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

FT LONDON SHARE INFORMATION SERVICE

AMERICANS

Table of American stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

BEERS, WINES—Cont.

Table of beer and wine stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

DRAPERY & STORES—Cont.

Table of drapery and store stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

ENGINEERING—Continued

Table of engineering stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

BUILDING INDUSTRY

Table of building industry stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

ELECTRICALS

Table of electrical stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

CANADIANS

Table of Canadian stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

BANKS, HP & LEASING

Table of bank, hardware, and leasing stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

FOOD, GROCERIES, ETC

Table of food, grocery, and other stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

DRAPERY AND STORES

Table of drapery and store stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

ENGINEERING

Table of engineering stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

HOTELS AND CATERERS

Table of hotel and catering stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

HOTELS AND CATERERS

Table of hotel and catering stocks with columns for Name, Stock, Price, Last, Bid, Offer, Div, Yld, and % Chg.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, last price, and other financial metrics.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Telecom, and British Gas.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland and British Aerospace.

Commercial Vehicles

Table of commercial vehicle stocks including companies like Leyland DAF and Leyland Trucks.

Components

Table of component stocks including companies like Lucas and Lucas Industries.

Garages and Distributors

Table of garage and distributor stocks including companies like Halfords and Halfords Group.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like News International and Newsprint.

PAPER, PRINTING

Table of paper and printing stocks including companies like Newsprint and Newsprint Group.

INSURANCES

Table of insurance stocks including companies like British Insurance and British Insurance Group.

LEISURE

Table of leisure stocks including companies like British Airways and British Telecom.

PROPERTY—Continued

Table of property stocks including companies like British Land and British Land Group.

SHIPPING

Table of shipping stocks including companies like British Shipping and British Shipping Group.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Shoes and British Shoes Group.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo American and Anglo American Group.

TEXTILES

Table of textile stocks including companies like British Textiles and British Textiles Group.

TOBACCO

Table of tobacco stocks including companies like British Tobacco and British Tobacco Group.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Trusts and British Trusts Group.

PROPERTY

Table of property stocks including companies like British Land and British Land Group.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Investment Trusts and British Investment Trusts Group.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Petroleum and British Petroleum Group.

PLANTATIONS

Table of plantation stocks including companies like British Plantations and British Plantations Group.

MINES

Table of mine stocks including companies like British Mines and British Mines Group.

Central Rand

Table of Central Rand mine stocks including companies like Anglo American and Anglo American Group.

Eastern Rand

Table of Eastern Rand mine stocks including companies like Anglo American and Anglo American Group.

Far West Rand

Table of Far West Rand mine stocks including companies like Anglo American and Anglo American Group.

D.F.S.

Table of D.F.S. stocks including companies like British D.F.S. and British D.F.S. Group.

Finance

Table of finance stocks including companies like British Finance and British Finance Group.

OIL AND GAS

Table of oil and gas stocks including companies like British Petroleum and British Petroleum Group.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like British Diamonds and British Diamonds Group.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Petroleum and British Petroleum Group.

MINES—Continued

Table of mine stocks including companies like British Mines and British Mines Group.

Central Rand

Table of Central Rand mine stocks including companies like Anglo American and Anglo American Group.

Eastern Rand

Table of Eastern Rand mine stocks including companies like Anglo American and Anglo American Group.

Far West Rand

Table of Far West Rand mine stocks including companies like Anglo American and Anglo American Group.

D.F.S.

Table of D.F.S. stocks including companies like British D.F.S. and British D.F.S. Group.

Finance

Table of finance stocks including companies like British Finance and British Finance Group.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like British Diamonds and British Diamonds Group.

RECENT ISSUES AND RIGHTS

Table of recent issues and rights stocks including companies like British Recent Issues and British Recent Issues Group.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including companies like British Regional and British Regional Group.

OPTIONS—3-month call rates

Table of 3-month call rates including companies like British Options and British Options Group.

NOTES

Notes section containing various financial notices and announcements.

RECENT ISSUES AND RIGHTS

Table of recent issues and rights stocks including companies like British Recent Issues and British Recent Issues Group.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including companies like British Regional and British Regional Group.

OPTIONS—3-month call rates

Table of 3-month call rates including companies like British Options and British Options Group.

RECENT ISSUES AND RIGHTS

Table of recent issues and rights stocks including companies like British Recent Issues and British Recent Issues Group.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

FINANCIAL FUTURES

Confusion surrounds the dollar

BY COLIN MILLHAM

Trading in the dollar was sharply confused last week. There are obviously still elements of the U.S. currency anxious to guarantee that any news open to various interpretations will benefit the dollar.

THE POUND SPOT AND FORWARD

Table with columns: Aug 10, Day's spread, Close, % Three months, % Six months, % One year. Includes data for UK, Canada, Belgium, etc.

OTHER CURRENCIES

Table with columns: Aug 10, £, \$, Note Rates. Lists various currencies like Argentina, Australia, Brazil, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Currency, % change, % change adjusted for divergence. Lists France, Germany, Italy, etc.

EXCHANGE CROSS RATES

Table with columns: Aug 10, Pound Sterling, U.S. Dollar, Deutsche Mark, etc. Shows cross rates between major currencies.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table with columns: Aug 10, Sterling, U.S. Dollar, Canadian Dollar, etc. Shows interest rates for various Euro-currency deposits.

MONEY MARKETS

Sharp fall in London rates

London money market interest rates have fallen by about 1 1/2 percentage points since the beginning of the month and by last Friday appeared to be pointing towards another possible cut in clearing bank base rates.

MONEY RATES

Table with columns: Aug 10, Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin. Shows money rates for various European cities.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table with columns: Aug 9 1984, Discount, Treasury (Buy), Treasury (Sell), etc. Shows discount house rates.

MONEY RATES

Table with columns: Aug 10, New York, London, etc. Shows money rates for New York and London.

FT LONDON INTERBANK FIXING

Table with columns: Bid, Offer, 1 month, 3 months, 6 months, 12 months. Shows interbank fixing rates.

LONDON

THREE-MONTH EURO-DOLLAR 3m period 100% Sept 88.48 88.48 88.48 88.48

CHICAGO

U.S. TREASURY BONDS (CBT) \$100,000 32nd of 100% Sept 92.23 92.23 92.23 92.23

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill on offer, £100m, £100m, etc. Shows details of the Treasury bill tender.

THE DOLLAR SPOT AND FORWARD

Table with columns: Aug 10, Day's spread, Close, One month, % Three months, % Six months, % One year. Shows dollar spot and forward rates.

CURRENCY MOVEMENTS

Table with columns: Aug 10, Bank of England, Morgan Guaranty, etc. Shows currency movements and indices.

CURRENCY RATES

Table with columns: Aug 10, Bank of England, Morgan Guaranty, etc. Shows currency rates and indices.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Aug 10, Change, Aug 10, Change. Shows weekly change in world interest rates.

CHANGE OF ADDRESS

With effect from 1st August, 1984 the address of Seattle-First National Bank will be P.O. Box 190, 1 Watling Street, London EC4M 9DA

CONTRACTS AND TENDERS

YEMEN ARAB REPUBLIC

INVITATION TO INTERNATIONAL TENDER NO. 173 CIVIL WORK International contracting firms and first-class local contractors are invited to participate in an international tender...

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YEMEN ARAB REPUBLIC

INVITATION TO INTERNATIONAL TENDER NO. 173 CIVIL WORK International contracting firms and first-class local contractors are invited to participate in an international tender...

APPOINTMENTS

Four top posts at Bowater Industries

Str John Hedley Greenborough has been appointed deputy chairman (non-executive) of BOWATER INDUSTRIES. Mr R. E. A. Ball and Mr A. W. Whiting have been appointed additional members of the board.

COMBINED ACTUARIAL SERVICES

Mr Peter Reaney has been appointed as chief executive of CAPS. CAPS was formed in 1983 by three firms of consulting actuaries.

MERCANTILE HOUSE HOLDINGS

Mr George G. Forster has been appointed as director of MERCANTILE HOUSE HOLDINGS. He is chairman of Laing and Cruickshank.

GODWIN WARREN CONTROL SYSTEMS

Mr N. C. F. Barber has been appointed as managing director of GODWIN WARREN CONTROL SYSTEMS. He is chairman of Godwin Warren Engineering.

STANDARD LIFE ASSURANCE CO

Mr Ian H. Dyer has been appointed as managing director of STANDARD LIFE ASSURANCE CO. He is chairman of Standard Life Assurance Co.

CHANGE OF ADDRESS

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INVITATION TO INTERNATIONAL TENDER NO. 173 CIVIL WORK International contracting firms and first-class local contractors are invited to participate in an international tender...

CONTRACTS AND TENDERS

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APPOINTMENTS

Four top posts at Bowater Industries

Str John Hedley Greenborough has been appointed deputy chairman (non-executive) of BOWATER INDUSTRIES. Mr R. E. A. Ball and Mr A. W. Whiting have been appointed additional members of the board.

COMBINED ACTUARIAL SERVICES

Mr Peter Reaney has been appointed as chief executive of CAPS. CAPS was formed in 1983 by three firms of consulting actuaries.

MERCANTILE HOUSE HOLDINGS

Mr George G. Forster has been appointed as director of MERCANTILE HOUSE HOLDINGS. He is chairman of Laing and Cruickshank.

GODWIN WARREN CONTROL SYSTEMS

Mr N. C. F. Barber has been appointed as managing director of GODWIN WARREN CONTROL SYSTEMS. He is chairman of Godwin Warren Engineering.

STANDARD LIFE ASSURANCE CO

Mr Ian H. Dyer has been appointed as managing director of STANDARD LIFE ASSURANCE CO. He is chairman of Standard Life Assurance Co.

CHANGE OF ADDRESS

With effect from 1st August, 1984 the address of Seattle-First National Bank will be P.O. Box 190, 1 Watling Street, London EC4M 9DA

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FINANCIAL TIMES SURVEY

The prospect of rule from China has left the territory's population uncertain and apprehensive. It has not diminished, however, their commitment to economic success

HONG KONG

Compared with other parts of the world, Hong Kong remains today as "rumbustious free-booting and free of self-pity"—the description given to it by author Richard Hughes—as ever.

But, after two years of secret negotiations between Britain and China over Hong Kong's position when it returns to Chinese sovereignty in 1997, the fear of the future is apparent across the community. There are still those who insist that 18 years is a long time, and those in less privileged positions who say with resignation that their lot is unlikely to be very different whether Britain or China claims sovereignty. But for the great majority, the negotiations which began in September 1982 have served to concentrate minds. Only now are the full implications of a return to Chinese sovereignty beginning to dawn. As the September deadline for a Sino-British agreement nears, so the leadership in Peking has provided increasingly detailed assurances about the future. It has said the territory's economic, political and legal systems will remain "basically" unchanged for 50 years after 1997. It has promised that Hong Kong people will govern Hong Kong, and that it will retain its currency, and its independent trading status.

But still, Hong Kong people refuse to "let their hearts rest at ease," as Deng Xiaoping, China's supreme leader, has pleaded they should do for the past three years. They puzzle over what Chinese leaders mean when they mean they say laws will be "borrowed." *Borrowed Time* by Richard Hughes.

remain "basically" unchanged. They worry over the implications of China's insistence that People's Liberation Army troops be stationed in Hong Kong after 1997. They are fearful over the likely contents of the Sino-British agreement when it is clear there remain serious disagreements over critical issues such as land rights, nationality rights, and the nature of government administration in the territory after 1997.

Perhaps more than anything else, there is concern that the currently pragmatic regime in Peking might at some future date be replaced by a doctrine, more xenophobic one. Hence the Hong Kong Observers, an influential pressure group made up of young professionals and intellectuals, said recently: "People in Hong Kong are still suffering from memories of political upheavals and party struggles in China in recent decades."

At the heart of most fears is "the inescapable fact," as an official member of Hong Kong's executive and legislative councils recently wrote, "that the

Chinese Government is committed to a political philosophy which is at least incompatible, and at worst hostile, to the philosophy on which the various systems and freedoms enjoyed by Hong Kong today rest."

Deng Xiaoping has recently elaborated the idea of "one country with two systems" in

an attempt to resolve this contradiction. He suggests that capitalist enclaves like Hong Kong and Taiwan will in future be able to live alongside the "socialist development" in China itself, with the two systems tolerating and complementing each other. Sir Geoffrey Howe, Britain's Foreign Secretary, recently described the concept as "visionary." While most Hong Kong people are reserving comment, there is a long way to go before many feel confident that the vision will become reality.

In the meantime, Hong Kong remains a community supersens

sitive to all kinds of rumours. A politically apathetic colony driven by a single-minded preoccupation with earning money has been transformed into a politically hyperactive community with an obsessive interest in finding bolt-holes through which to escape if things go sour.

That is why the stock market has bucked erratically over the past year, with the Hang Seng index ignoring economic or commercial fundamentals to rise or plunge in response to political events in a range between 1,170 and 690.

The market rallied well from the politically induced crisis of last autumn, only to collapse dramatically when Jardine Matheson, the colony's oldest "Hong" announced it was moving its legal domicile to Bermuda. Sir Geoffrey Howe's "Black Friday" speech on April 20, in which he confirmed publicly that Hong Kong would completely revert to China after 1997, triggered a further collapse which continued unabated to the end of July. What has most concerned

IN THIS SURVEY

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- China's economic role
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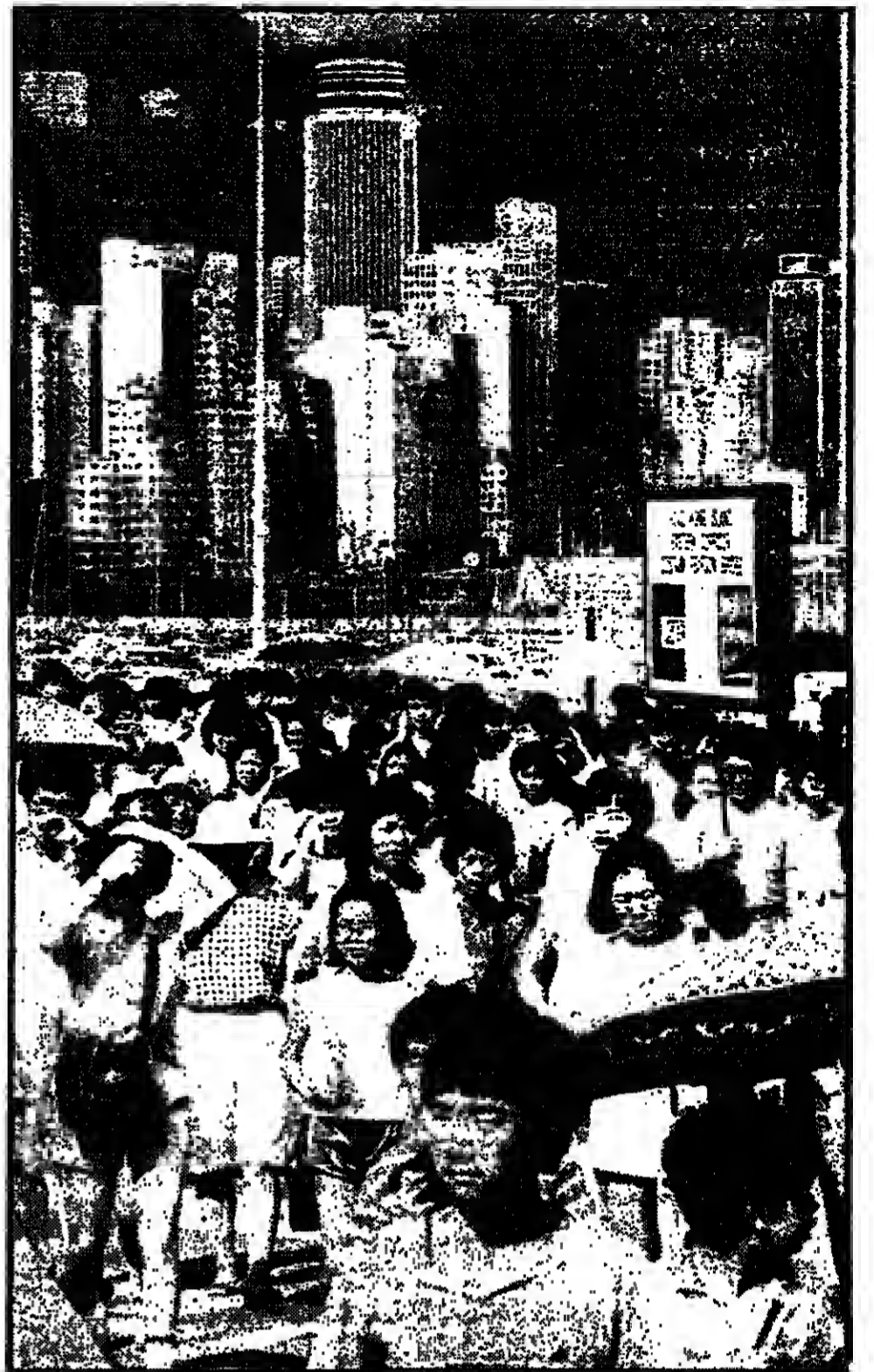
stock market observers over this time is the minuscule volume of trading interest. There has been increasingly firm evidence over the year that local people with money to invest have been seeking ways of investing it outside the colony.

Hong Kong newspapers are littered with advertisements inviting investments—and in return offering passports and homes. These have been discreetly placed from countries such as Canada and Australia, but more brazenly offered from such unlikely places as Guam, the Seychelles, Paraguay, Tonga, the Cayman Islands, Costa Rica and Mauritius.

The paradox is that this capital flight is occurring at a time when Hong Kong's manufacturing industries are doing better than at any time in the past four years. Exports during the first half of this year are 49 per cent higher in money terms than exports during the first half of 1983. While imports (lept by 39 per cent—primarily to meet manufacturers' increased needs for raw materials and other inputs—the territory's visible trade deficit fell to its lowest level for three years.

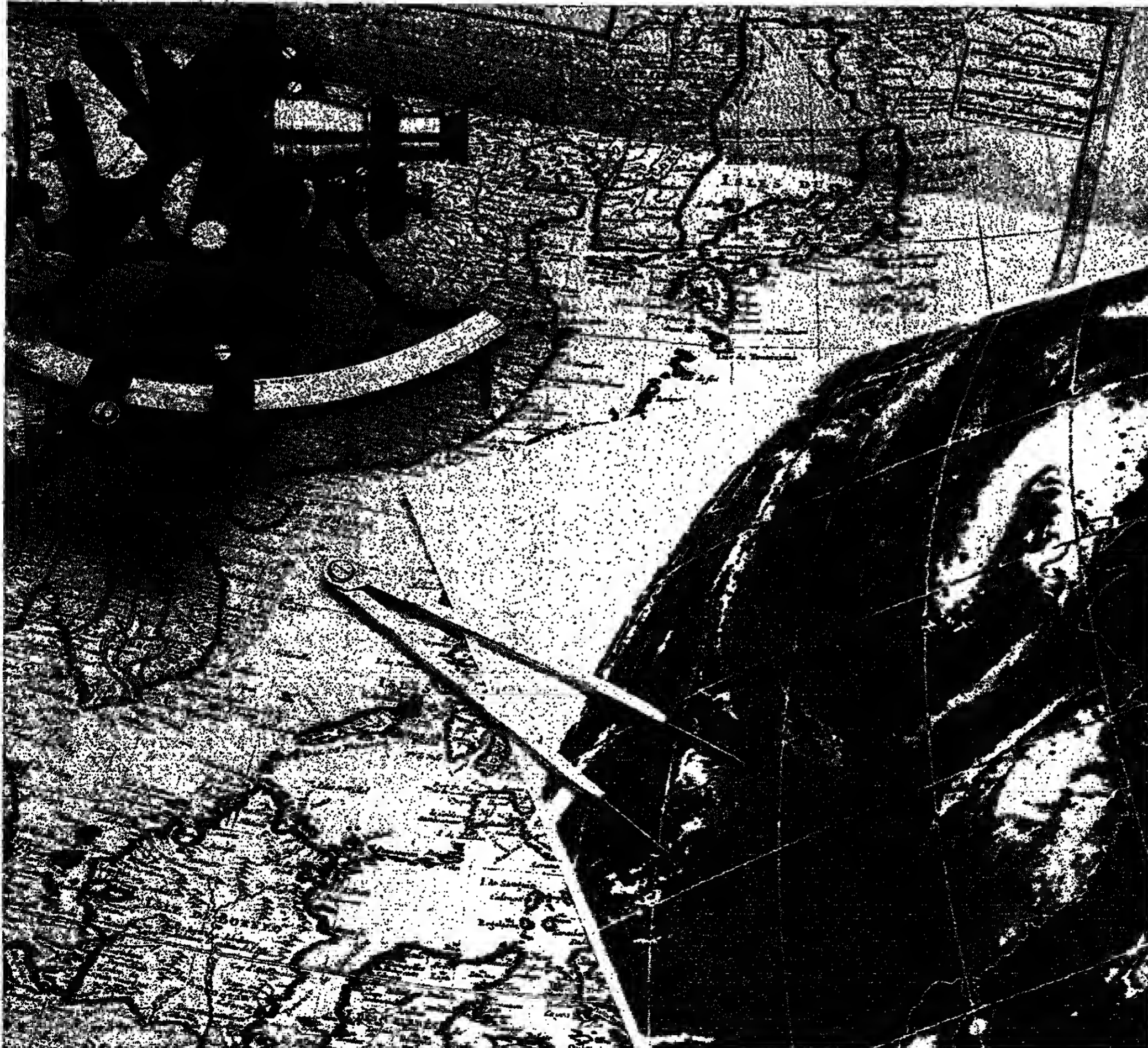
The capital flight is also being counterbalanced by a significant increase in inward investment by foreign businesses, many of whom remain keen to use Hong Kong as a springboard for business in China.

As the Hong Kong government has striven to make sense of this muddled picture, and to restore confidence and stability, it has become clear that Hong Kong people are asking less for assurances that their own freedoms and lifestyles are maintained than they are asking for commitments from Peking on the nature of government in China up to and after 1997. Sir Geoffrey Howe's recent disclosure of a number of de-



Hong Kong's uncertain citizens, towered over now by the skyscraper institutions of capitalism. How different will it be after 1997?

CONTINUED ON NEXT PAGE



Navigator

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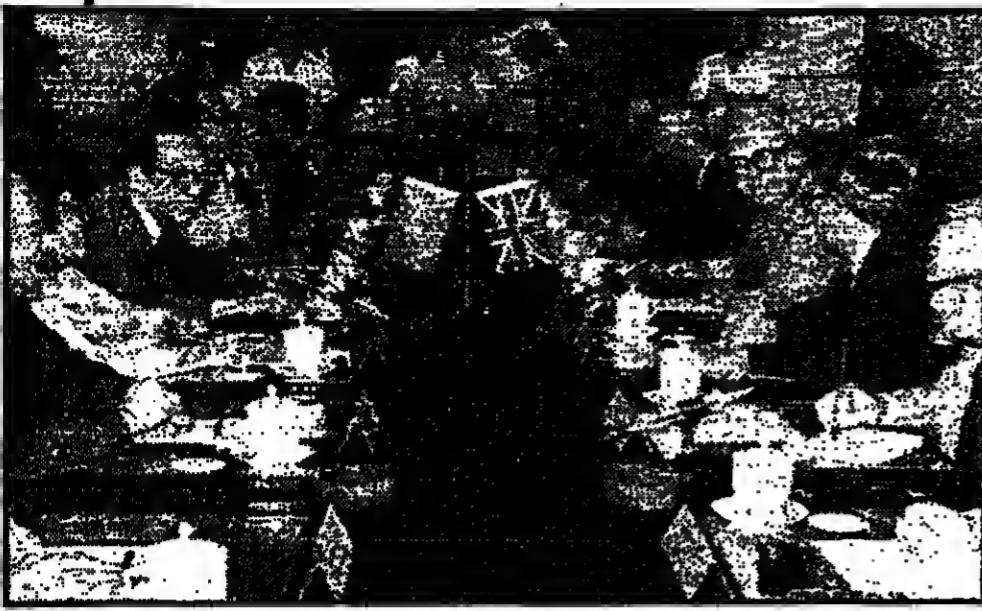
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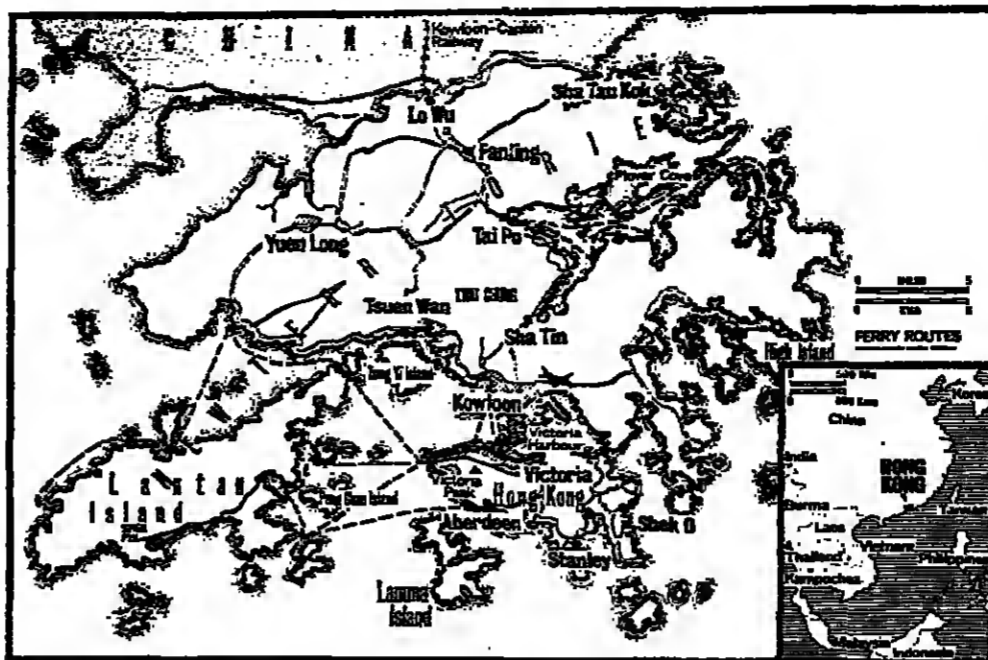
CONSOLIDATED ASSETS AT 31 DECEMBER 1983 EXCEEDED US\$60 BILLION.

ART 1 K. 1302 84

HONG KONG 2



Sir Geoffrey Howe, the British Foreign Secretary, and Wu Xuequan, his Chinese counterpart, at the crucial talks on the colony's future held in Peking last month.



PROFILE: SIR EDWARD YOUNG

Queen's man inscrutable to the last

Diplomacy, according to a phrase coined by or about Dr Henry Kissinger, is "an infinite capacity for taking planes".

When Sir Edward Youde retires as governor of Hong Kong and the city fathers debate what civic feature to rename in his honour, they might do worse than choose the territory's airport departure lounge, which has seen more than its fair share of Sir Edward in the last two years.

"Sir Edward goes to Peking" has been an inflexible, monthly feature of Hong Kong's television news for the last year, by which local viewers can set their calendars if not their watches.

Three or so days later, "Sir Edward comes back from Peking", a slight, smiling figure ducking out of the airport terminal and into a waiting limousine.

What Sir Edward actually goes in Peking is an official secret. The Sino-British negotiations on Hong Kong's future, in which he participated as an invariably useful and constructive, by a harassed-looking British spokesman.

Less frequently, "Sir Edward goes to London", usually accompanied by members of his executive council (Exco).

These trips are the occasions on which Sir Edward and Exco members discover themselves to possess a "close identity of views" with the British Prime Minister and Foreign Secretary on the question of Hong Kong's future—though again, the substance of the views remains another official secret.



Sir Edward Youde: efficient administrator.

Mandarin

The secrecy surrounding the Peking negotiations has made of Sir Edward an almost furtive public figure, as he tries to find a light-hearted way of saying nothing, ducking a question, or physically escaping, a burning televisual or newspaper fire is the reverse of open government. Sir Edward has everything to hide.

Attempts at levity, while understandable at the time, seem heavy-handed, with hindsight. Replying to questions at a local self club, Sir Edward reportedly quips that 1987 is probably the number of strokes which it would take him to get around the course.

Humour is not Sir Edward's strong suit. He has, the 57, cautious manner of a career civil servant, but without any streak of diplomatic flamboyance. He was ambassador to Peking 10 years ago, and speaks mandarin, as does his wife, Pamela.

He does not "drink" beyond a little wine at meals, and was best-known in Hong Kong before his arrival for an apocryphally-embroidered story about his cartwheeling as a representative of the people of Hong Kong. Peking snapped back that he did no such thing—he negotiated as a member of the British delegation, and nothing else.

China's barb was the sharper for being well-aimed. A bluff, popular Sir Murray

Robert Cottrell

Democracy moves on to the agenda

AUGUST IS usually a sleepy month for Hong Kong's political and community leaders and pressure group activists. It is the month most senior civil servants take annual leave and when the colony's ruling bodies go into summer recess. But there will be no signs of sleepiness this year.

Members of the Executive Council and Legislative Council are attending special debates impinging on the recess period. They have been asked to be "on call" throughout August. Meanwhile, pressure groups across the political spectrum are holding conferences and seminars and mounting intensive lobbying campaigns.

This exceptional activity is no doubt indirectly due to the imminent deadline for a Sino-British agreement on the future of Hong Kong after 1997—an issue that has electrified a usually apathetic political community. But above all else, it is due to the recent publication of a government Green Paper on political reform in the colony.

The coincidence of debate over the Green Paper and on 1997 is to some extent accidental. The proposals in the Green Paper should be seen in the context of political reforms that have been taking place over a number of years and have been published now so that further reforms can be smoothly deve-



Ways of making government more representative are being debated. China's view remains crucial, however

talled with elections to District Boards to be held in June next year and again in 1988.

For all that, the significance of the reforms in the context of the 1997 debate has not been lost on Hong Kong people. They are intended to shape the colony's political personality up

to 1989 and as such will determine the speed and direction of political change right up to the critical moment when Hong Kong returns to Chinese control in 1997.

China has committed itself to offering Hong Kong people "genuine zhengquan"—which roughly means Hong Kong people ruling Hong Kong. But local political figures realise this gives no assurance of democracy, and are keen to lay the foundations of a more representative form of government well before China assumes power as the only hope of cementing democratic freedoms for the territory.

The need for further political reform has become increasingly obvious over the past two years. It did not need Mr Edward Heath's curt dismissal of the recent delegation to London of Hong Kong's political appointees as unrepresentative to make local people aware of the need for change.

Britain's negotiating position with the Chinese Government over the future of Hong Kong has always been weakened by the fact that the Hong Kong people on whom it depended to keep it abreast of public opinion were appointed by the Governor rather than elected.

The colony's two highest ruling bodies—the Executive Council (Exco) which acts as an inner cabinet and meets in camera, and the Legislative

Council, equivalent to Britain's Parliament—are made up exclusively of government bureaucrats, called "officials", and individuals appointed by the Governor, called "unofficials".

Only at the less influential level of the Urban Council and District Boards do direct elections play any part, and even then for only a proportion of the seats on these bodies.

Up to now, successive Governments in Hong Kong have insisted that this highly restricted form of participative democracy has worked effectively. As recently as May this year, when a delegation of "unofficial" members of the Executive and Legislative Councils visited London to lobby MPs on Hong Kong people's concerns over 1997, their main statement said: "Unofficial members make no claim to representative status, but they are in touch with all sectors of the community through their membership of over 300 boards and committees dealing with public affairs, and with all the facets of Hong Kong's economic and social life."

As such, they insisted they were "in a position to reflect the views and wishes of Hong Kong people" despite their unelected status.

Despite this claim—which by all accounts, on the 1997 issue, is probably valid—the delegation was under constant attack during its visit to the UK,

with questions constantly being raised about its right to claim to speak for Hong Kong people.

Worse still, when three senior members of the Executive and Legislative Councils went as a delegation to Peking in June, they were told in terms verging on the rude that they came in their individual capacities rather than as spokespeople for Hong Kong by no less a person than Deng Xiaoping, China's supreme leader.

The Green Paper is in part an answer to these criticisms, though it defies its own title. It is a manifesto for democracy rather than paves the way to truly representative government.

Under the present proposals, the Executive and Legislative Councils would still in 1989 have a majority of government officials and appointees. Even elected members would be only indirectly elected.

The detailed proposals, which will be publicly debated until early October when the Government will publish a White Paper, involve:

- Indirect election to the Legislative Council (Legco) from two sources—an electoral college made up of 430 members of Hong Kong's District Boards, Urban Council, and New Regional Council, and secondly, "functional constituencies" representing various professional associations and pressure groups.

One of the convictions behind this willingness over direct elections is that such adversarial politics are not "the Chinese way". It is argued that Chinese concern about maintaining "face" would make respected members of the community reluctant to stand for election because of the loss of face that would be involved in defeat.

Another is that until now, Hong Kong as a community has been renowned for its political apathy. As such, government officials fear that overhasty devolution of electoral power to the grass roots would give undue power to political extremists of both the Left and the Right. They fear Hong Kong might become a battleground for Taiwanese groups keen to frustrate plans for the territory's smooth transition into Communist Chinese hands in 1997, and two-Peakist groups keen to eradicate "poisonous weeds".

Already, such fears have been implicit in the few comments made by Chinese officials on the subject. From Peking, the only comment has been that the reforms were Britain's affair, but that China did not feel itself bound by whatever British introduces between now and 1997. From Hong Kong, one senior official of Xinhua, the New China News Agency which acts informally as China's diplomatic mission in the colony, "We would be unhappy about any arrangements that disturbed the stability of Hong Kong," he said.

In the past, political leaders in Hong Kong have always taken Chinese views into careful consideration before planning any major changes, whether political or economic. Indeed, their success in doing this is one of the reasons why the colony has up to now avoided more direct interference from Peking, particularly during periods of turbulence such as the Great Leap Forward and the Cultural Revolution.

It is unlikely therefore that political changes will be proposed that are likely to alarm Peking. There would be little virtue in paving the way for full-blooded democracy if China has no intention of letting Hong Kong people walk in that direction after 1997. It would be still worse if reforms triggered political instability to a point where China felt it necessary to take control before 1997.

So in spite of the fact that Hong Kong is facing a summer of unusually hyperactive political debate, it is improbable that the Green Paper will undergo any fundamental redrafting between now and October. The "gradual approach" is likely to win the day.

As one senior Executive Council member insisted early in August: "To the outside world, these changes may seem extremely conservative, but believe me, in our situation, they are radical indeed."

David Dodwell

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Each source would in 1985 elect six members. Legco would be a total of 48 members. In 1988 this would be increased to 12 each, with Legco being increased in size to 50. This would leave bureaucrats and appointees with 26 seats, and in a majority of two.

● The executive council would be opened up to indirect elections in 1988. Four members of Legco would be elected to the body. This would be increased to eight in 1991. While the total number of appointees on Exco would be reduced from eight in 1988 to two in 1991, there would continue to be four officials for the foreseeable future.

● The Governor would continue to be appointed by the Queen up to 1987, but would be placed on Legco by a president who would be elected from within the ranks of Legco members.

As Hong Kong's political commentators and pressure groups have digested details of the Paper, so they have prepared to do battle over the need to introduce direct rather than indirect elections, at least to Legco. For example, Dr Leung Ting, chairman of the influential Christian Industrial Committee which campaigns on behalf of trade unions and other working class groups, said: "Reforms which ignore the need for direct elections are not steps towards democracy—they are purely cosmetic."

It is likely, however, that the only fighting they will do will be shadow boxing. Already the Government has explained in painstaking detail why the need to preserve stability, and the historical traditions of Hong Kong, rule out adversarial politics for the foreseeable future.

While presenting the Green Paper, Sir Edward Youde, Hong Kong's Governor, said: "The need for stability at a crucial time dictates the gradual approach." He warned that direct elections in other political systems "had not always succeeded in generating stable, representative government."

"If it were to introduce elections to Legco now, we should run the risk of a swift introduction of adversarial politics, and an element of instability at a crucial time," he said.

"The time for direct elections may come," he added. "In due course, as the political and constitutional circumstances of Hong Kong evolve, and if popular support for the idea develops, further thought will be given to the possibility."

As a participant in the British negotiations, Sir Edward has found himself a prime target of Peking's propaganda campaign. Last autumn, he asserted that he went to the Peking negotiating table as a representative of the people of Hong Kong. Peking snapped back that he did no such thing—he negotiated as a member of the British delegation, and nothing else.

China's barb was the sharper for being well-aimed. A bluff, popular Sir Murray

Living with China

CONTINUED FROM PREVIOUS PAGE

professional groups in the community.

Across the political spectrum, groups have complained at the small pace at which the Green Paper proposes moving towards more representative government. They are almost in unison calling for direct—rather than indirect—elections to the colony's ruling bodies before the end of the decade.

China has promised that after 1997, Hong Kong people will rule Hong Kong, but it has stopped short of suggesting that such rule will be democratic. So many political and community groups in the colony have recognised the unless democratic practices are introduced now, they are unlikely to be introduced at all. This recognition has triggered a level of political activity that is unprecedented in the territory.

The Government has argued that direct elections are not "the Chinese way"—that concern about possible loss of face would keep some of the best candidates from standing for election. It has also argued that the hasty introduction of "adversarial politics" might be

destabilising at a critical stage in the territory's history. At this stage it is difficult to predict whether or not the Government will bend to public pressure on the issue of direct elections.

The political issues of the summer have captured the imaginations of pressure group leaders, but have brought some sharp jolts to the community's appointed leaders on the executive and legislative councils, who have suddenly realised that no-one knows who Peking will allow to hold the reins of power after 1997.

One senior executive council member spoke for many last week when she said: "Our role used to be advisory, but now it is political. None of us are politicians, but now we are going to have to learn very fast."

When Richard Hughes wrote "Borrowed Time", *Borrowed Time* 16 years ago, he claimed that "Borrowed time is as good as any." Even amid present uncertainties he may be right. But when borrowed time is running short, he is likely to offer such political figures little comfort.

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HONG KONG 4

Imperial granary yields to housing

New Territories

HONG KONG'S traditional hinterland, once occupied by an isolated, scattered and rural population, has been changed by a rapid sweep of urbanisation and resettlement. Now, clusters of satellite towns, housing apartment towers and industrial estates are neighbours to some 640 villages which still thrive on a few acres of rice paddies, raising ducks or making dried, salted fish. The New Territories' romantic and sometimes violent past is hidden from the casual visitor.

Two centuries ago, rice from the fertile valley of Sha Tin graced the tables of Chinese emperors. Now, the paddy fields have nearly disappeared and Sha Tin is a booming new town known more for its pigeon restaurants and horse-racing course. Even in modern times, *fung shui* (geomancy) is practised with unfaltering faith and villagers have battled fiercely against town planners and property developers who upset their *fung shui* by digging up land or cutting into hills.

Urbanisation

Town development in the past 12 years and the relocation of people from the over-densely populated urban areas which were bursting at the seams as a result of the post-war population boom have made the New Territories more urban in character.

In the decade between 1973 and 1983, the New Territories' population doubled to 1.6m and an additional 1m are to be relocated to the seven new towns and rural townships by the end of this decade. It is a relatively young population because young people were more ready to make distant moves. In Tuen Mun, a new town at the western tip of



In the decade to 1983 the New Territories' population doubled to 1.6m. Above: children at play in the new town of Sha Tin

the Kowloon Peninsula, only about 10 per cent of residents are over 55. Industrialisation and urbanisation have not touched every part of the New Territories. There are vast country parks and hills, and the New Territories enjoy the lowest population density in Hong Kong, with only 732 persons per sq km. The top density rate of 165,445 persons per sq km is found in the Sham Shui Po urban district in Kowloon.

By contrast with Hong Kong Island there has never been any doubt that the New Territories belong to China. In 1889, Britain seized 970 sq km of mainland China on the pretext of "proper defence and protection of the colony." It was given a 99-year lease on the area running from Shenzhen River, which marks the border with China, southwards to Boundary Street on the Kowloon Peninsula. The leased area represents nearly 92 per cent of the territory. When the lease expires, some 3m people will be living in the New Territories.

It would be impractical to set up a new frontier along Boundary Street when the territories are returned to China on June 30 1997. Hong Kong Island and the southern tip of Kowloon will not survive without the airport, container port, the entire water supply, power stations and the bulk of manufacturing industries. The Government makes no legal distinction between the leased territory and the ceded area. Politically, China does not recognise any of the three

"unequal" treaties which affected the permanent cessation as well as the lease. So it has long been realised that the entire territory will have to be reincorporated in China when the New Territories are returned in 1997.

When the 1898 convention was signed, Britain had agreed to allow Chinese imperial officials to continue jurisdiction in the old walled city, once a Chinese fort and administration centre. Its boundaries became less distinct after the Japanese quarried the ruins of the original stone walls to provide materials for expanding the Kai Tak airport during 1943-44. The city is now a cluster of gambling dens, vice establishments and sweat shops employing illegal immigrants from China for extremely low pay.

Unequal

New Territories politics centres on the rights of indigenous inhabitants and early settlers. The Heung Yee Kuk (rural consultative council) is statutorily recognised as a representative body of the indigenous residents and advises government on New Territories affairs.

Over the decades, the Kuk has managed to secure much political clout. It has sent delegations to Britain to lodge grievances against the Hong Kong Government. As a result, in 1977, Charles Young Siu-Cho, a Kuk executive councillor, was appointed to the legislative council (Legco). With only two representatives

on Legco, the New Territories are still under-represented in government. However, this is likely to change after the new regional council is established. The council will be one of the electoral colleges for selecting members of Legco.

New Territories district boards and the Kuk were able to keep the ambitious urban council—which has been providing services such as parks, refuse collection and cultural activities in the urban areas for over 100 years—from expanding to the New Territories.

For years, the Kuk has fought for better land deals. Today, with the lease running out in less than 13 years, the greatest concern of New Territories residents is still land. In post-war years, land on the ceded areas has been leased by auction or private treaty for periods varying from 99 years to 75 years. At the turn of the century, land in the New Territories was declared to be Crown property, with all land sales specifying that leases will expire three days before July 1 1997.

In April, the Kuk organised a delegation to Peking to make representations to the Chinese leadership regarding arrangements for land titles and premiums. The Chinese leaders told the delegation to put their minds at ease. Private land ownership will still be allowed after 1997, they said. However, they made no commitment regarding land premium for New Territories leases which will all expire before China resumes sovereignty.

Teresa Ma

The issue of China's take-over has failed to sell more papers

Gossip, romance and racing tips

The media

DESPITE THE Chinese people's well-known disinterest in politics, Hong Kong manages to support 53 Chinese-language dailies, seven English dailies, 438 periodicals, 10 radio channels and four commercial television stations.

The number of newspapers available to Hong Kong people—over three copies are printed for every 10 persons—is more than three times the world average.

About two-thirds of the Chinese-language newspapers offer general news while the others specialise in entertainment news and revealing the private affairs of celebrities.

The so-called general news dailies devote a great number of pages to high-society gossip, serialised romances and Kung-Fu novels, and horse-racing tips.

Newspaper sales generally drop by 20 per cent after the end of each horse-racing season. However the historic issue of China's takeover in 1997 has failed to sell more newspapers. In the first six months this year, 14 daily newspapers surveyed by a local marketing research company set an average of 10 to 15 per cent of their

reading and left-wing activities are the domains of loyalists to either Communist Peking or the Kuomintang regime in Taipei. A large number of newspapers are considered politically non-aligned or ambivalent. Those with obvious political inclinations are divided into two camps, depending on the owners' devotion to either Peking or Taipei.

The right-wing camp includes Hong Kong's largest newspaper, Oriental Daily (which has a readership of about 1.5m people) and the Evening News, Shing Shing Daily News and Hong Kong Times.

The left-wing camp is led by Ta Kung Pao, Wen Wei Po, the New Evening Post, Tin Tin Daily News and Ching Po Daily. The public seem to be aware of the political leanings of media institutions but have shown little concern for the fact that one of Hong Kong's two television networks is owned and operated by Deacon Chan, a Hong Kong representative to the Chinese People's Political Consultative Conference (CPPCC), a mainland central government arm. While television may not be the most effective medium for articulating political views, television is the number one pastime for Hong Kong people.

Authoritative

The heads of major left-wing newspapers all belong to the CPPCC. Fui Yi-Ming, publisher of Ta Kung Pao, which began during the Qing (China) Dynasty, is on the National People's Congress, the seat of supreme state power. Ta Kung Pao also puts out a weekly newspaper in English and both the English and Chinese editions are printed and distributed in the U.S. The New Evening Post is a sister paper of Ta Kung Pao.

While Wen Wei Po and Ta Kung Pao are leaders in the left-wing camp, the latter is considered the more authoritative by China-watchers. Owners of other patriotic publications such as Tin Tin Daily, the



Over three newspapers are printed for every 10 persons—three times the world average.

Mirror and Wide Angle Monthly are also CPPCC members.

The combined readership of the three major left-wing newspapers amounts to only 183,000, a far cry from that of Oriental Daily, but their influence as mouth pieces for Peking must not be underestimated.

The papers give sensitive insight into the Chinese government's thinking and controversial political issues on the mainland. Sometimes, they report new decisions or political developments in advance of official announcements so that Peking leaders can gauge public or international reactions before pursuing such policies.

Throughout the 1997 talks with Britain, China has been publicising its position and proposals through left-wing publications to try and gather public support and thus bargaining about at the negotiation table.

The propaganda campaign reached its climax in September 1983 when the bilateral talks were strained, prompting Richard Luce, British Minister of State at the Foreign and Commonwealth Office, to accuse China of practising "megaphone diplomacy."

The leftist papers were belittling calls for "a return to the motherland" in an effort to arouse nationalistic feelings among Hong Kong Chinese people and isolate the British administrators. Editorials attacked the colonial mentality of British civil servants and sneered both at Britain's civil servants and Britain's domestic economic affairs. It is difficult to determine whether the editorials resulted directly from orders from Peking or editors' own interpretation of Peking's line.

Some of the patriotic publications have suffered because of political unrest on the mainland. Two former allies of Peking, the Seventies (recently renamed the Nineties so as not to sound outdated) and Chang Ming (or Contentment) are now dissident publications and are banned in China.

The Nineties, a monthly, was an offshoot of a movement in support of China in its dispute with Japan over sovereignty

rights over the Daluyatou or Senkaku Islands. Cheung Ming is owned and edited by Wen Hui, a former sub-editor of Wen Wei Po.

When the editors' relationships with China went sour over ideology, the advertising support from China-backed enterprises ceased. Now, the monthlies are blatantly anti-Communist and articles are critiques rather than reports of mainland practices and policies.

The largest and most powerful news organisation in Hong Kong is Peking's official Xinhua (New China) news agency, which analysts have referred to as the shadow government.

The local Xinhua office has long been the channel for Hong Kong people to voice their concerns to the Peking leadership. Local groups have also taken their grievances against the Hong Kong Government to Xinhua, including Tinsuiwei residents facing eviction to make way for a town development project, and taxi drivers who were given a hefty tax rise.

Patriotic

The director of the local office, Xu Jiatun, a member of the central committee of the Chinese Communist Party, is more of a diplomat than a journalist. Xu toured the Walled City, an area on the Kowloon peninsula outside British jurisdiction, soon after his arrival in Hong Kong.

Over the next 13 years, the left-wing media will continue to campaign for the people's hearts and minds as preparation for a smooth transfer of power in 1997.

It will be interesting to observe the impact of the patriotic press on decisions made by the post-1997 administration. Editors of right-wing and non-aligned newspapers have recently expressed concern that the freedom they now enjoy will not survive much beyond 1997. It will be interesting to see if editors practice self-censorship more consciously in future knowing the state of journalism on the mainland.

T. M.

All seats filled on the Peking shuttle

Pressure groups

EVERY society has its pressure groups, but in a society like Hong Kong with no truly representative government at the highest levels, they have come to exert a peculiar significance. They range from the eccentric—like the "I Love Free Hong Kong Campaign" led by a pro-Taiwan activist that the Taiwanese would beppity divo—to the deeply intellectual—like the Hong Kong Prospect Institute made up of overseas Chinese academics.

Some have been active since the late 1960s—like the Christian Industrial Commission, which has close links with trade unions and working class groups in Hong Kong—but the great majority have been spawned during the past five years around the issue of 1997. Most of the pressure group leaders have their roots in the student movements in Hong Kong in the 1960s and early 1970s. At that time, many of them would have been classed as radical or militant. But for

all that, pressure group action has tended to be mild. Tactics tend to be limited to petitions, meetings, lobbying of the media and of the appointed members of the territory's highest political bodies, the Executive Council and the Legislative Council.

During the past year, a new form of lobbying activity has been pursued—that of sending delegations to Peking to press views on the Chinese leadership. Nowadays, barely a week passes without at least two groups boarding aircraft for Peking.

At the same time, wide discussion of political reforms to be introduced over the next six years (embodied in a government Green Paper circulated for discussion in the middle of July) has prompted pressure groups to think about whether they should or should not in future transform themselves into political parties.

Life has been breathed into this idea because of the District Board elections that will be held in June next year. While District Boards will not in themselves have great powers, their members are more likely to make up a substantial proportion of the "electoral college" from which future indirectly elected members of the more powerful Legislative Council will be drawn.

Political parties

In their early days, pressure groups focused mainly on social issues, like housing, poverty and unemployment. So, at a stage where there are groups like the Coalition versus Bus Fare Increases, and the Coalition to Monitor Public Utilities. More heavyweight among such groups would be the Christian Industrial Workers' Union, a group of grass-roots philanthropists headed by Lau Chin Shek, the Education Action Group and the Professional Teachers' Association, headed by Xito Wah, and the Hong Kong Public Housing Committee, which until recently specialised on housing issues and is headed by Fung Kim Kay.

More recently-founded pressure groups have been obsessed by the issue of 1997. Prominent among them are the Hong Kong Affairs Society, set up in April this year, and the more left-leaning Meeting Point, set up last year. Even one-time community groups like the Public Housing Committee nowadays tend to have been consumed with a need to comment on 1997.

All of these groups are listened to attentively by the Hong Kong Government, which is keenly aware of the potentially explosive consequences of failing to listen to—or mishear—public opinion in a political community where

leaders are appointed by the British Governor and not directly elected by the public.

Such failures are keenly remembered from the past—with the Star Ferry riots in 1966 a conspicuous example. Even this year, taxi strikes and rioting in Kowloon resulted from an attempt to raise levies imposed by drivers without properly gauging public views on such increases.

Among today's most active pressure groups, the most potent and respected are probably the Hong Kong Observers, and Meeting Point.

The Observers, active since the late 1970s, are made up of young professionals and intellectuals, many of them close friends, most of them western educated. As would be expected, their overriding preoccupations are over constitutional and legal rights, and the protection of present freedoms in Hong Kong after 1997.

They have close links with local English language newspapers, with many of their reports being printed at length in newspaper columns under the group's name.

Unlike many groups, they have a recruiting chairman, which means no single individual has come to take a leading position. Meeting Point is a much younger group, formally born just a year ago around Mr Lau Ka Sheng. This group leans towards the left, but more in terms of building links with Hong Kong's grass roots than in terms of being sympathetic to the aspirations of Peking. Mr Lau frequently writes in Hong Kong's Chinese language newspapers under the pen-name I Fan.

Perhaps surprisingly, no groups reflecting any significant body of opinion have emerged in support of Taiwan, or with any links with Taiwan.

This is perhaps because groups of people sympathetic to Taiwan have thought it best to take a low profile. Some political commentators have noted signs nevertheless that people with Taiwanese sympathies have been organising ahead of next year's District Board elections, in the hope that seats on district boards could be used as a platform for electing representatives to the more potent Legislative Council.

Among other groups, some calling themselves "opinion groups" or "social research groups" rather than pressure groups, are: the Society for Community Organisation and the Association for the Promotion of Public Justice, headed by Fung Ho Lap, the Hong Kong Federation of Students, the Society for Social Research, the Association for Promotion of Democracy, and the New Hong Kong Society.

David Dodwell



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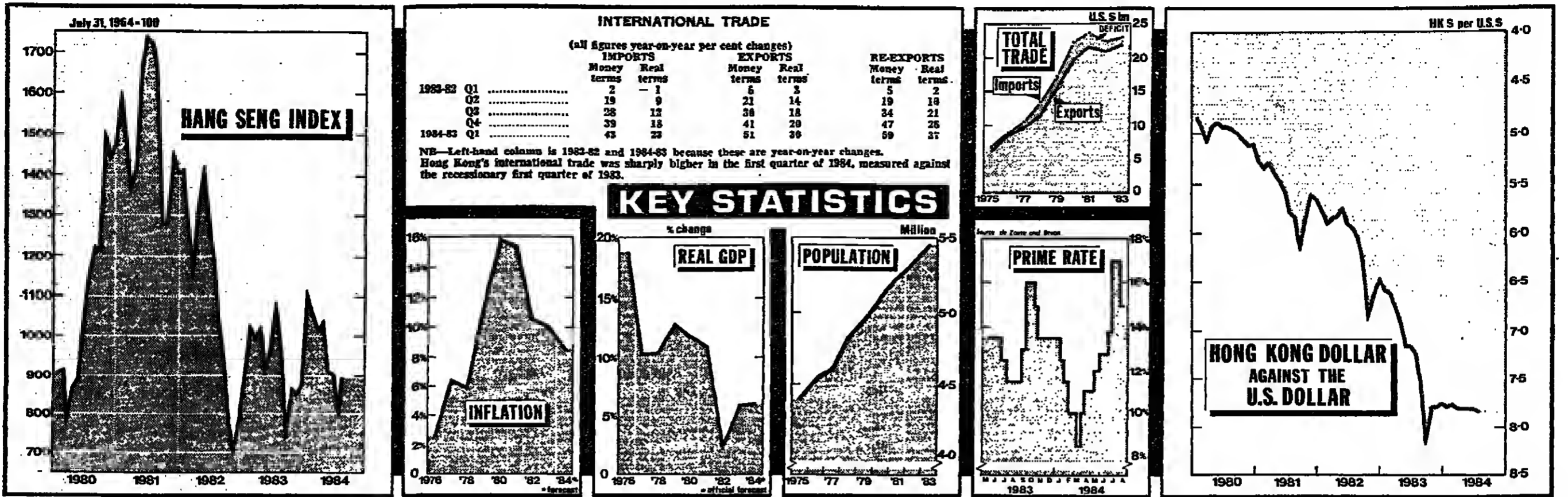
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HONG KONG 5



Plunge in land revenues gives Sir John a hard start

UNIQUELY AMONG world finance ministers, Sir John Brembridge, Financial Secretary of Hong Kong, writes budgets which make entertaining reading.

They are spiced variously with quotations from Trollope, pearls of fireside wisdom, and sudden turns of purple phrase—"debt without discipline has savaged them"—which sound best when read in the full and slightly frisky voice which Sir John reserves for his annual budget delivery in the legislative council chamber.

Sir John has now presented three budgets for Hong Kong, time enough for him to put his own stamp on the economy stewardship for the previous decade by Sir Philip Haddon-Cave, now Chief Secretary. Hong Kong's budgets have become more deferential to social forces, less to economic ones.

The succession was unfortuitously timed. Sir John took over as Financial Secretary just when Hong Kong's property market peaked, world recession at last caught up with the territory's exporters, and political



Robert Cottrell reports on the major underlying trends

worries boiled over into the financial markets. Sir John found himself reporting a budget deficit of HK\$3.5bn for the 1982-83 financial year, the territory's first since 1974-75. In 1983-84, a HK\$3.2bn deficit followed, despite sharp increases in indirect taxation. A shortfall of HK\$2.1bn is predicted for the current year, probably with at least one more to follow.

More controversially, Sir John also this year raised Hong Kong's direct taxes, including the first increase in salaries tax for 18 years. The standard rate rose from 15 to 17 per cent, while corporate profits tax rate was increased from 16.5 to 18.5 per cent.

It was as much a social as an economic decision. The yield from the direct tax increase this year is estimated at HK\$900m. The Government could as easily have raised the money from a larger long-term bond issue, of say HK\$2bn instead of the HK\$1bn actually issued.

Sir John has gambled that the comfort given to Hong Kong's rich will outweigh any alienation of the territory's free-wheeling businessmen. He is probably on safe ground in respect of salary tax, since though Hong Kong's higher rate excites grumbles, it is still low and simple by world standards.

In the realm of corporate profits, however, Hong Kong is not such a bargain. The statutory rate must be paid in full every year. There are none of the tax holidays or special incentives which businessmen can pick up by the bagful in many Asian countries.

Fortunately for Hong Kong's manufacturing sector, higher taxes are a relatively small cloud in an otherwise blue sky. After a recessionary 1982, exports rebounded in the second quarter of 1983, and continued to accelerate into the current year.

First half exports this year were 30 per cent higher in real, inflation-adjusted terms than in the first half of 1983. Re-exports grew by almost 40 per cent and imports by about 30 per cent, again in real terms.

Retained imports of raw materials and semi-manufactured goods were growing steadily in the first quarter, by 30 per cent in real terms, while retained imports of capital goods grew 14 per cent, reflecting investment by local firms in plant and stocks in anticipation of continued strong economic

activity. This is understood to have continued into the second quarter.

Corporate profits growth among manufacturers was strong enough to make industrial stocks the "glamour" sector of the stock market in 1983. A succession of small electronics manufacturers boosted their shares on local stock markets, attracting multiple overvaluations from investors impressed by the apparent cheapness of offer prices when measured against the high forecasts made for 1983 profits.

Hong Kong's larger and more traditional textile sector has also prospered. Winsor Industrial, the territory's largest garment manufacturer, recently reported net profits of HK\$27.6m for the year to March 31, 1984, compared with just HK\$2.8m for the prior accounting year.

Garment manufacturers are likely to report slower profit growth in the current year, however, partly because restocking in the U.S. has peaked, partly because Hong Kong was fully utilizing in 1983 the quotas for popular garments allocated to

it under the multi-fibre arrangement, which governs world garment and textile trade.

Economic prosperity is Hong Kong's best counterbalance to political uncertainty. The implications of reversion to China in 1997 permeate the territory's economic life, as well as its social and political life. The twin threats are an exodus of capital and of talent eroding Hong Kong's position as a high-wage, high-productivity society.

Exports
In the short-term, the economic impact of "1997" has been most apparent in Hong Kong's financial markets—stock and foreign exchange. Since mid-1982, the stock market's major movements have been almost all politically-inspired. The Hong Kong dollar, meanwhile, weakened frighteningly last year until the Government moved to "peg" its value to the U.S. dollar in October.

The HK\$7.80/US\$ "peg" applies only to banknotes, not bank deposits, and so depends for its stability upon the confidence of the banking sector and general public. A crisis of confidence would tend to generate a "flight into cash" analogous to a run on an individual bank. So far, the system has held, with the exception of a panicky day in July when a large late afternoon seller drove the rate downward to HK\$8/US\$.

With the exchange value of the Hong Kong dollar "pegged," the monetary system relies on interest rates to bring supply and demand into balance—and, when necessary, as the official tool for scaring out speculators.

As a result, Hong Kong's prime rate—fixed by a quasi-official cartel of banks—has moved frequently and erratically since last October. It has just been trimmed to 15 per cent after spending a month at an historically high 17 per cent, to which it was lifted when the exchange rate faltered last month. Interbank interest rates have been more volatile still, having varied over the last six months between zero and 41 per cent for overnight money.



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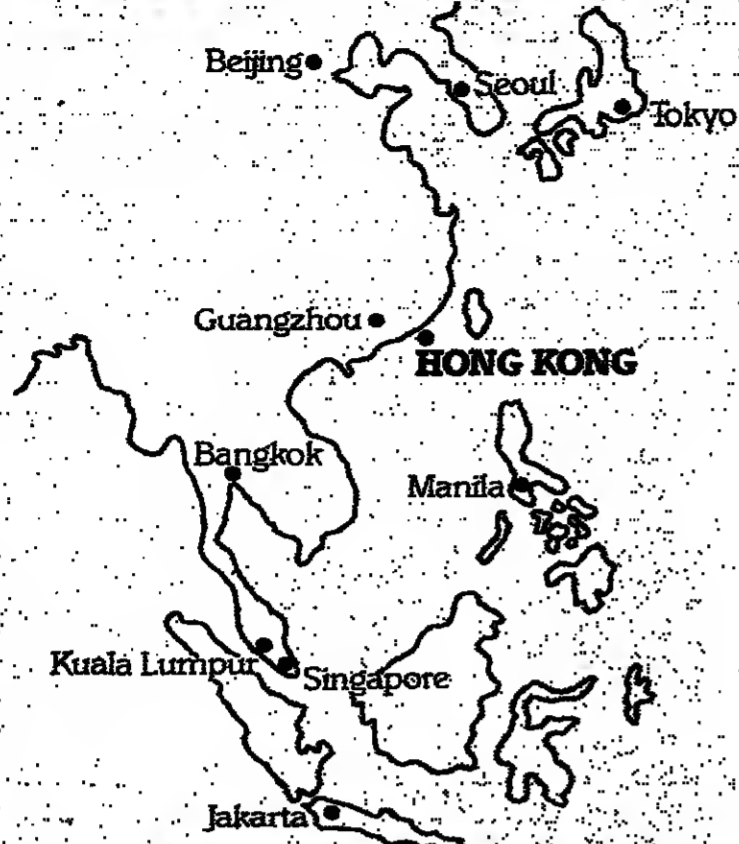
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HONG KONG 6

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After a three-year slide, prices may soon be edging upwards
Developers breathe a sigh of relief

Property

THE SUCCESSFUL sale of a prime site of land in Kowloon's East Tsim Sha Tsui district at the end of July for HK\$165m—HK\$15m higher than predicted by the Government—was greeted with signs of relief from the territory's property developers.

Here at last was firm evidence that property prices could soon be edging upwards. No one in the property business in Hong Kong would need reminding, however, that this same site was last sold three years ago for over HK\$300m.

Hong Kong's property prices are unlikely in the foreseeable future to return to the giddy levels of the late 1970s. Indeed, price improvements of any kind are likely to be a long time coming in many sectors of the property market. But property developers saw in the East Tsim Sha Tsui sale evidence that the three-year slide has come to an end.

In some areas, the demand for new property falls far below present supply. This is most conspicuous in the prestigious Central District on Hong Kong island, the heart of the colony's business community, where the new Hongkong and Shanghai Banking Corporation headquarters, and Hong Kong Land's visionary Exchange Square building—both nearing completion—stand as impressive but empty monuments to the building boom of the late 1970s.

The take-up reflected increased economic activity, especially in the electronics and garment industries.

Best space in Central, the financial district, is available for around HK\$90 per sq ft a month compared with fringe areas of Wanchai and Tsimshatsui where rents have held steady for the past year at around HK\$10-11 and HK\$8-10 respectively. This has encouraged firms to move out of prime locations, especially those with no intrinsic need to be sited in the heart of the financial district.

Future rental levels in Central will hinge on the marketing strategies adopted by Hongkong Land for Exchange Square. Land, in its desperation for tenants, will, to a large extent, be competing against

itself—for its own tenants in other Land buildings.

The last sold perhaps most symbolic relic of the property boom and bust, Exchange Square, will add another 1.1m sq ft onto the market and is the main reason for Land's financial predicament. Because Exchange Square will not be completed until 1985, Central rents are unlikely to improve until 1986 at the earliest.

In purchase terms, commercial values are hard to assess, largely because of the lack of transactions. A bank recently paid HK\$2,250 per sq ft for part of a floor in a major Central office block while in Wanchai and Tsimshatsui prices are more in the range of HK\$800-1,000 per sq ft.

The picture is not so grim in the industrial market which has been helped by two developments: a reduction in the projection of future supply by 50 per cent due to developers backing out or altering projects to residential use; and increased take-up aided by the manufacturing boom and buoyant export growth.

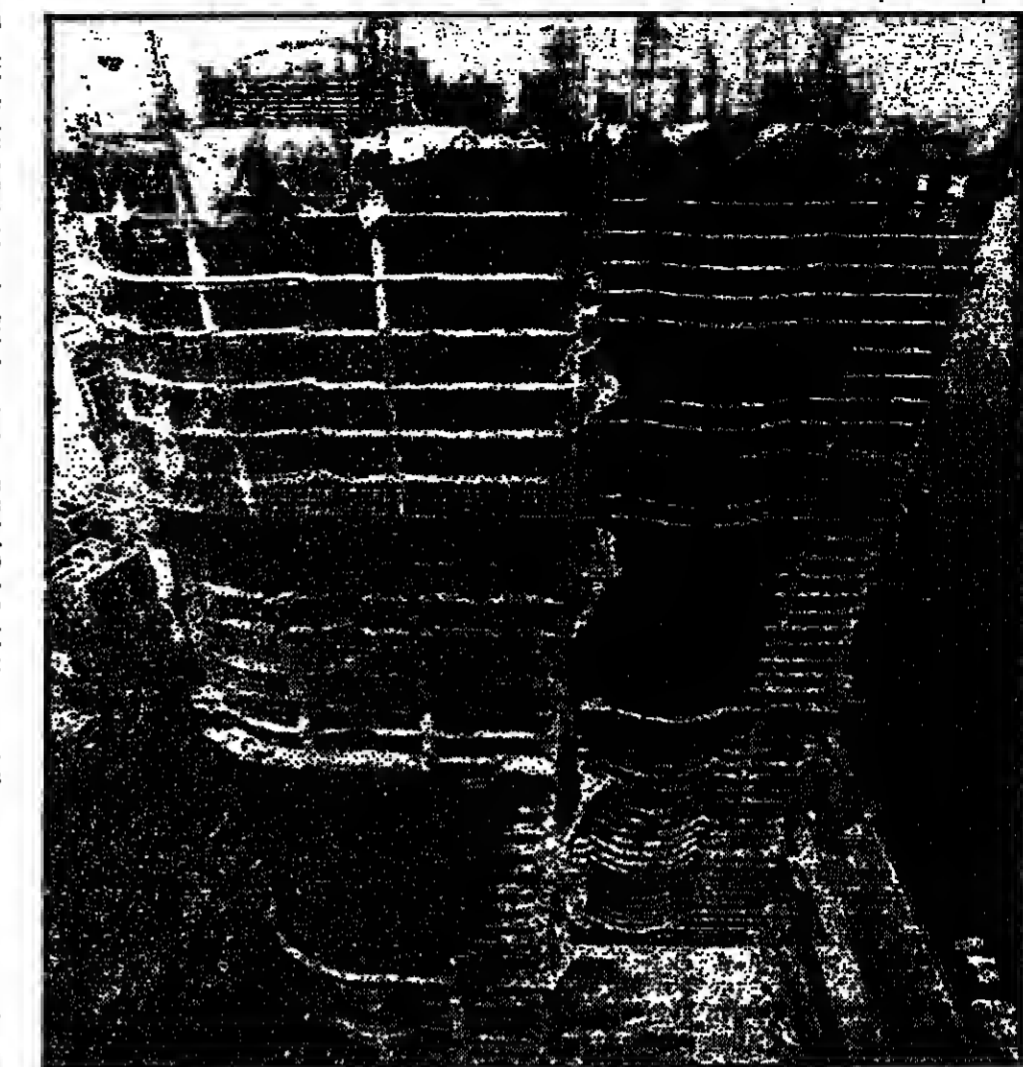
Falling vacancies

Encouragingly, given the political worries, some overseas companies have recently set up manufacturing bases here, for example Motorola and Wang. Falling vacancies could lead to firmer rents and values though there is so far little hard evidence of this happening. In some areas prices for industrial premises are still near or even below construction cost.

The residential market has seen some encouraging activity at the lower end but remains acutely sensitive to its U.S. counterpart. The recent firming in U.S. interest rates has pushed local prime lending rates up to 17 per cent, and reduced property market activity.

Stockbroker Hong Leong Securities notes in a recent report that when local prime touched 8.5 per cent in March compared with the present 17 per cent—Swire Properties sold almost 120 units in a week-end at the company's vast middle income housing development Tai Koo Shing on Hong Kong island.

With 20-year mortgages being offered by banks at 80 or 90 per cent financing, many families are able to buy small to medium-sized flats for up to HK\$750,000. In 1983 more



Relic of the boom and bust: Hongkong Land's Exchange Square building, now nearing completion

than 85,000 private residential sale and purchase agreements were signed, compared with 20,000 in 1982. The current rate for a Tai Koo Shing flat is around HK\$710 per sq ft compared with the mid-1981 high of HK\$1,270.

However, one deal that rather dramatically did not go through was the supposed purchase in January by the Peking-backed Ever Bright industrial corporation of eight middle-class residential blocks for HK\$1bn. At that time the deal, the first major property transaction for

some time, was viewed bullish even though sceptics noted a marked lack of information about the details of the transaction.

The doubters proved correct as at the end of June Ever Bright announced it was pulling out of the deal, having received its initial deposit money back with interest.

There had been little change in the underlying market conditions in the intervening five months. Some market analysts suspect Ever Bright never intended to complete the deal, but simply to buoy the property market.

At the luxury end of the residential market, conditions remain extremely depressed and are likely to stay that way for the foreseeable future. There have, however, been a few isolated transactions with large units on Hong Kong Island fetching between HK\$6,500 and HK\$1,000 per sq ft.

As for rentals, middle-range expatriate-style accommodation now fetches around HK\$97 per sq ft compared with the

HK\$15 per sq ft obtained three years ago. Real improvement in the luxury sector will occur only after recovery is already well under way in other sectors, reflecting a sustained improvement in economic activity.

The picture is then pretty gloomy for many property companies still debt-laden from over-commitment in the past. The most spectacular example is Hongkong Land, which faces a projected peak debt of HK\$17bn in 1985 on its own estimates.

Now under new, more professional management, Land has arranged credit lines and made sweeping provisions to the satisfaction of most analysts.

Land is so firmly committed to Hong Kong as a financial centre, its commitment symbolised by the no-cost-spared design chosen for Exchange Square, that it is probably fair to conclude that the future prospects of Hong Kong as a colony exactly mirror those of Hongkong Land.

Christopher Wood

AMOUNT OF VACANT PREMISES AT YEAR END

Type	1981	Per cent of stock	1982	Per cent of stock	1983	Per cent of stock
Residential units	29,790	5.9	31,760	6.0	25,506	4.7
Shops '000 sq m	282	9.7	359	11.5	343	10.5
Offices '000 sq m	392	11.0	573	17.6	793	20.6
Flatted factories '000 sq m	795	7.5	1,219	10.5	1,089	8.9

Vacancies remain high, but are falling as a proportion of stock.

PROFILE: DAVID DAVIES, CHIEF EXECUTIVE OF HONGKONG LAND

Riding to a second rescue

DAVID DAVIES, the man appointed at Hongkong Land to restore its pride and its profits, seems increasingly inspired, rather than intimidated, by the enormity of his task.

Things were bad enough when he arrived last October from MEPC in London, brought in by the Keswick family to rescue one of the world's biggest property groups from the brink of disaster.

The Land company, a respected institution which owns huge chunks of the Hong Kong skyline, had over-expanded and entered into a succession of potentially ruinous joint-ventures. When the booming property market went over the top in 1981, problems set in and Land built up debt as rapidly as some of the office towers it had recently completed.

'Disastrous'

By the end of 1983, the group had notched up HK\$13.5bn of debt and turned in an attritional loss of HK\$1.2bn. In Davies' own words, it had been a "disastrous year."

The new chief executive and his team have moved quickly and decisively to lay the basis for a recovery, although events beyond the boardroom—Aesop's House—not least the recent hike in interest rates—have not made the task any easier.

Neither can Davies do much to stimulate the fresh wave of demand for office accommodation which will be a vital ingredient in any major recovery for the group. He accepts that the job of recreating the confidence in Hong Kong for the time being lies largely with the politicians and, in the meantime, is happy to concentrate on restoring confidence within his own organisation.

Davies himself, still only 44 but with an impressive career in banking and property behind him, is deeply aware of the group's special place in the life of Hong Kong and outwardly shows not the slightest doubt about his ability to restore both its prestige and its rightful place in the community.

Davies took the job because it offered him another chance to put his undoubted financial

The job offers Davies a more challenging version of what he was able to do at MEPC, which he helped pull round in the early 1970s



skills to the test within the context of a property operation—a more challenging version of what he had been able to do at MEPC, which he had helped pull round in the early 1970s. Having also worked in New York and London for Chase Manhattan and Hill Samuel, he was attracted by the prospect of time in the Far East, which he believes will take the lion's share of economic growth up until the end of the century.

Educated at Winchester and New College Oxford and trained at Harvard, Davies seems appropriately unflappable over recent events and says there have been no real shocks since he arrived: "I decided to take the job without delay but then had a couple of months to do my homework. I did it well, which has proved to be of immense benefit both to me and the people working with me."

He sees the major challenge in instilling confidence in those around him and in reviving morale, both essential prerequisites to the group's revival.

"Hongkong Land is a very proud company with 85 years of history behind it. It had always been king of the roost and four or five years ago it had a market capitalisation more than twice that of Land Securities in the UK. To see a group like that flat on its back was a tragedy and we have already taken the most important steps to ensure its recovery."

Since Davies arrived he has taken remedial action on several fronts. In cutting back the group's capital commitments,

some "pretty hard-nosed decisions" to abandon or defer development projects have been made, creating more than a few problems in the local community.

Another priority was simply to convince the banks that Hongkong Land was not a lost cause and that they should continue to support it through its darkest hours. Davies won through.

The 1983 year-end debt of HK\$13.5bn is likely to peak at HK\$16bn by the end of 1985 and, above that, the group has standby facilities and short-term lines capable of taking the total to HK\$22bn.

Davies believes this will not be necessary, though with interest rates at current levels the heavy debt burden is going to play a decisive role in the extent and speed of the group's recovery.

The group is also taking a long, hard look at the quality of the businesses in which it is involved, in extricating itself from its trading and joint-venture operations. Land again intends to be the master of its own fate and to maintain long-term property investment as its principal role.

Exchange Square, the group's 1.2m sq ft waterfront office complex was conceived in happier, healthier times but it will be ready for occupation in the spring of next year. Not surprisingly, letting progress has been slow but Davies says he will be content if 10 per cent of the space has gone by early next year.

Hongkong Land's chief executive believes the Hong Kong office market is now dumping along the bottom but expects the crippling floor-space over-supply, which has forced down rents to as little as 50 per cent over the last three years, will start to dwindle by 1986. Beyond that, rents could start to rise substantially.

But while the group's 3.4m sq ft Central District property portfolio (rising to 5.2m sq ft by the end of the 1980s) remains one of its core assets, Hongkong Land has no intention of parting company with the Dairy Farms and hotels operations that most provide 50 per cent of operating profits.

The group's food distribution and process activities stretch from Hong Kong to Singapore and Australia and Davies sees them as "a marvellous cash flow business" with enormous potential, particularly in China.

Opportunity

As for the hotel empire—acquired by the Mandarin in Hong Kong itself—Davies firmly rules out any chance of disposals. Indeed, he sees a time when the food and hotels operations account for as much as 50 per cent of operating profits, though that could yet be some time off given the group's present weakness.

Ultimately, however, everything depends on the political future. According to Davies: "It all hinges on whether the Chinese are genuine and whether they can actually perform. I have no doubt about the former and only time will tell on the latter."

"But if all goes well, then I believe Hong Kong has a remarkable opportunity to prosper as the entrepôt for China. The potential is enormous."

Davies speaks highly of Hong Kong's enthusiasm and business expertise and says he has the highest admiration for its commitment to the work ethic and its ability "to make things happen and to pull together." Hong Kong and Hongkong Land are going to see it through, he says, with a confidence that cannot yet be said to be universal.

Michael Cassell

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HONG KONG 8

Peking's investment doubles in two years

PEKING'S investments in Hong Kong have now reached US\$4bn, China's leading capitalist resident in the territory, Wang Guangyong, recently estimated. This is double the figure for 1982, and reveals the extent to which Peking enterprises and banks have plunged into the whirl of business since strong man Deng Xiaoping's "open door" policy took off in the early 80s.

China now invests through 50 representative and trade offices, Mr Wang said, and is involved in around 300 projects. But Mr Wang's own activities have raised a few eyebrows. The curious exit of his company Ever Bright Industries from its property deal with International City Holdings (ICH) came on top of the Conic affair, where he helped to put together investment for that questionable company.

Chinese officials have said Peking would make more use of the Hong Kong stock market to raise money for modernisation, but Wang's activities have evoked a degree of wariness. The history of the ICH deal with Ever Bright is instructive. In January, the official Chinese news agency Xinhua announced that Ever Bright (financed by Peking, though the precise sources of funds is unknown) had made a deal to buy eight apartment blocks (as yet unbuilt) in the City Garden development at a price of almost HK\$1.2bn. Few details were published, but Wang constantly referred to the deal as a purchase and "Ever Bright's biggest investment." A 5 per cent deposit was paid in February. The stock market took a beating from Peking's apparent faith in the future of Hong Kong and property share prices rose.

But in June, Ever Bright cancelled the deal and a previously unpublished clause in the agreement allowed it to reclaim its deposit, plus accumulated interest. At first the government Securities Commission said it would set up an investigation, but later this was called off.

The final impression left by the affair was that Wang embarked on the deal to talk up the Hong Kong property market, that in June Peking got cold feet, and that, despite possible implications of the Securities Ordinance, the Hong Kong Government decided not to



The Republic's involvement in HK business life is growing rapidly, reports Colina MacDougall

upset Peking by intervening. Wang has also been involved in another seemingly unwise investment. A 34.7 per stake—HK\$175m—in the Conic Investment Co., a leading electronics concern, was taken by Sin King Enterprises, a Peking-owned company and Wang had a hand in negotiating the deal. Sin King's purchase temporarily staved off Conic's financial problems, but in May trading Conic's shares was suspended. The previous chairman, Alex Au, who had sold half his holding in Sin King vanished, leaving the new managing director, who was formerly with the huge Peking trading company China Resources, to sort out the future. In June Conic announced losses of HK\$ 374m.

These affairs coincided with another property deal. In February the government auctioned part of the old dockyard site known as Admiralty Two. The price was less than many analysts predicted (HK\$380m), confirming the bearish view of the property taken by potential investors.

More interesting in the China context was the fact that Wang Guangyong, who said earlier he would be bidding in association with Hong Kong magnate Li Ka-shing, switched unexpectedly to become one of the successful buyers in another consortium, First Profit Investments.

On the brighter side, these adventures took place against what seems to be a steady increase in China's bread and butter investments. Although Hong Kong's property and stock markets have had the jitters, its manufacturing and foreign trade sectors have recovered.

The Bank of China and the 12 sister (associated communist) banks now maintain an arguably wider influence than the giant Hongkong Bank. The group controls perhaps as much as 40 per cent of the financial market in Hong Kong. The banks' leading has cut a much higher profile in recent years, sharing in syndicated loans in a way unthinkable before Deng Xiaoping's rise to eminence.

Some of the sister banks were overexposed in the property bubble collapse which began in 1981, but appear to have been bailed out with funds from China. This has not discouraged new ventures, too. Sin Hua and Po Sang in January set up a stockbroking business, Chung Mao Securities, to deal on two of Hong Kong's exchanges.

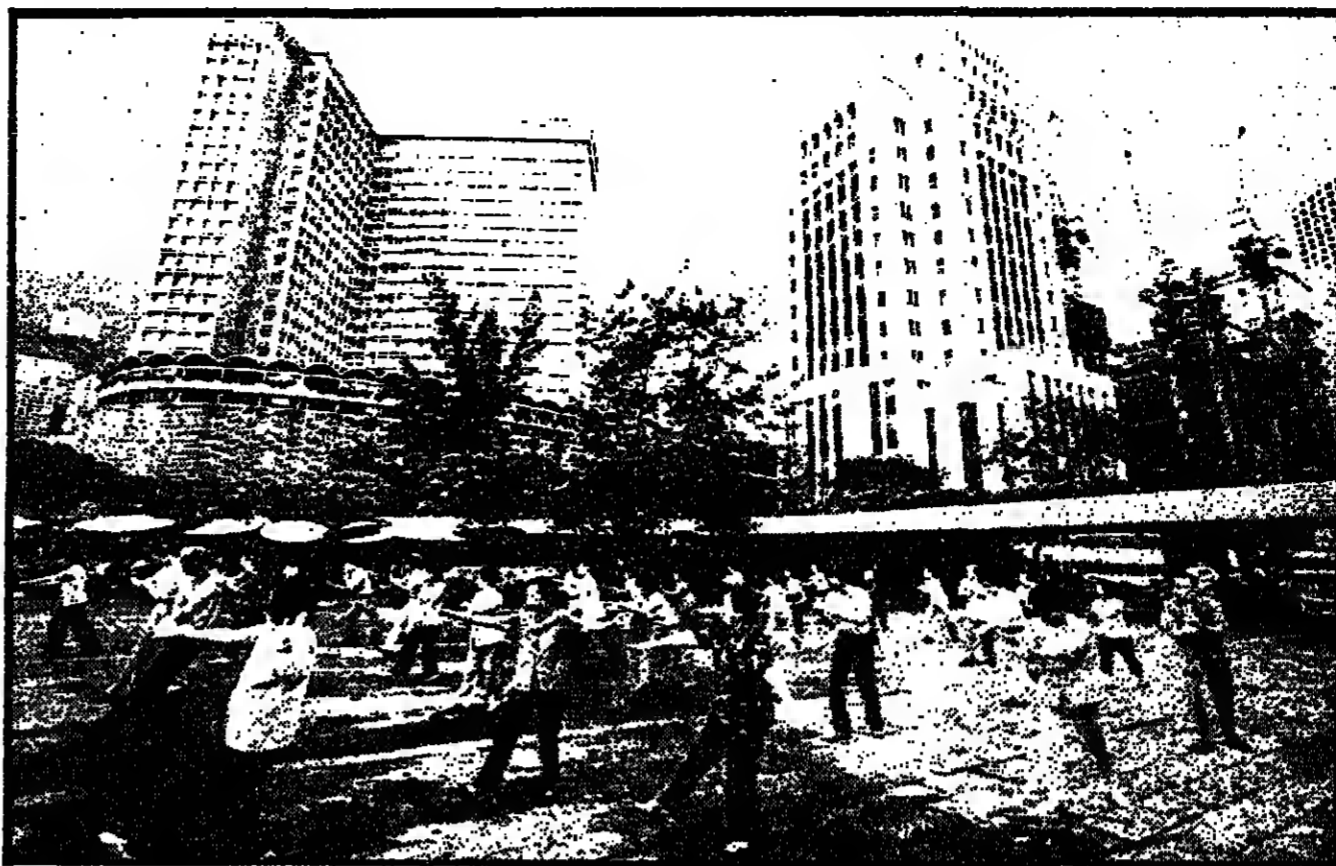
The Bank of China is due to play a major role in the Hong Kong joint venture set up this year to fund China's nuclear power station at Daya, along with Hong Kong's China Light and Power Co. Its latest eye-catching move has been a HK\$300m loan in June by its merchant banking arm, China Development Finance, to Hong Kong's Mass Transit Railway Corporation.

China's exports to Hong Kong went up by 30 per cent in 1983 and imports by 66 per cent (from a far smaller base). More than half Hong Kong's food supplies and a fifth of its petroleum products now come from China.

Most of this is handled in Hong Kong by Peking-oriented traders, insurance companies (of which there are five) marketing organisations, and shipping companies. A corresponding rate off will have gone to them. The biggest of these is probably China Resources, which runs three oil storage depots and has recently moved into a glossy new headquarters in Wanchai. It also plans to open a chain of supermarkets in the territory. It is a safe assumption that all these organisations hope that Hong Kong will continue to thrive.

Previously, it had seemed Mr Wang promoted his projects to the Hong Kong public as a sign of his faith in the colony's future. Pulling out of two of the most significant of these proposals without warning seemed a funny way to do business.

Eyebrows were also raised this month, when it became clear that Ever Bright's retreat from the ICH city garden pro-



Adopting a technique as old as Confucius, Hong Kong Chinese perform early morning exercises in the shadow of the Bank of China (right)

'Big Boss' keeps everyone guessing

IN ONLY one year, the chairman of the Ever Bright Industrial Company, self-styled "red capitalist" Wang Guangyong, has earned himself the nickname "Big Boss" among many local Chinese in Hong Kong.

For one thing, the 65-year-old's avuncular and expansive style of doing business contrasts sharply with that of the dour and inaccessible men of the Bank of China and its trading arm, China Resources.

For another, Ever Bright's headlong series of commitments to large projects in Hong Kong, China and Macau gives the impression that Ever Bright, China's first "private company" in Hong Kong, has large reserves of capital. Mr Wang has nevertheless declined to state the source or extent of these funds.

After recent developments, however, Mr Wang's nickname might well be seen by many in the British territory as "Big Wind."

On June 28, he told selected members of the local left-wing press that one of Ever Bright's

Ever Bright Industries

much-touted property deals would be cancelled. The deal had been promoted by Mr Wang on the local tuncen circuit as an example of Ever Bright's faith in Hong Kong's political and commercial future.

It involved a HK\$1bn residential development jointly planned with property magnate Li Ka-shing, chairman of Chung Kong Holdings and its subsidiary, International City Holdings.

Shortly after the announcement, a company spokesman said a second well-publicised negotiation between Ever Bright and local businessmen Henry Fok and Stanley Ho to build a resort complex worth about HK\$300m in Macau was also off the drawing boards.

Curiously, Wang promoted his projects to the Hong Kong public as a sign of his faith in the colony's future. Pulling out of two of the most significant of these proposals without warning seemed a funny way to do business.

Eyebrows were also raised this month, when it became clear that Ever Bright's retreat from the ICH city garden pro-

ject would cost the communists capitalists nothing. A six-month option never before disclosed to the shareholders of the company, allowed Ever Bright and ICH to cancel without loss of deposits or the accumulated interest. Plans announced by the Office of the Commission for Securities to look into the matter were explicitly dropped, prompting even more curiosity.

Mr Wang seems to have lost none of his original bonhomie despite the shift in his company's activities.

Educated by Catholics in Peking, Mr Wang taught chemistry in Tianjin in the early 1940s and subsequently founded the factory there. Succeeding the factory in 1954 to the five-year-old communist government, he became an active member of the National Congress.

If his star also rose because he was the arch-rival of the Chinese President Liu Shaoqi, it inevitably fell with Liu's during the Cultural Revolution. From 1966 to 1976, Mr Wang was imprisoned, spending part of that time in isolation in the famous Qin Prison.

Apparently he and his immediate family's rehabilitation is now complete. Three of his four children live in China, but one daughter is married to a business student at Wharton College in the U.S.

It could be surmised that permission to visit Hong Kong and Macau in 1983 was final proof

of his good standing with the Government. By his own account, he spent days at the Furama Hotel in Hong Kong, receiving old friends and making important new business contacts.

The enterprising Mr Wang wrote up his impressions in a proposal to Premier Zhao Ziyang who reportedly approved the idea of a private communist company in Hong Kong as a demonstration of China's faith in the "two systems, one country" concept for Hong Kong after 1997.

Spectacular Ever Bright opened for business a year ago. Despite the recent setbacks it is to go ahead with a HK\$1.18bn sugar refinery along the Pearl River in the Zhu Hai special economic zone and is continuing with its more mundane business of importing and exporting machinery and technology to China.

In the wake of the ICH cancellation, Mr Wang has hinted that more spectacular projects will follow.

Astute businessman or naive newcomer, Mr Wang has perplexed the financial community in Hong Kong, as accustomed as it is to unusual species of entrepreneur. "I'm here to give oxygen to Hong Kong," he said once in a speech, but now locals are trying to measure just how much oxygen, and how much hot air.

Dinah Lee

Learning to do business the capitalist way

LAST FEBRUARY, the first China-affiliated stockbroking firm opened its doors for business in Hong Kong, what Peking sees as a logical first step toward building its own national share market.

Chung Mao Securities is a joint venture, owned 45 per cent by Sin Hua Trust, the savings and commercial bank, 40 per cent by Po Sang bank, and 15 per cent by private Hong Kong broker, Mr K. W. Chung.

"In the past, socialist Chinese had no concept of dealing in shares, but because Hong Kong is a capitalist society we must learn how to do business in a capitalist fashion, and that includes share trading," says Mr Nelson Tsao, a director of both Chung Mao and Sin Hua.

He says that the Hong Kong stock market is an obvious place to raise funds for the development of China's economy, and that China's eventual goal is to gradually reach the point where Chinese concerns can be listed on the planned unified stock exchange in Hong Kong.

Mr Tsao predicts this could happen within two or three years. "The sooner, the better."

Trusted The idea for Chung Mao Securities was suggested at the end of last year when the Po Sang Bank introduced Mr Chung, who is a broker and gold trader and one of its long term clients, to Sin Hua.

"The choice had nothing to do with his political affiliations. He was simply a merchant," says Mr Tsao, but it is obvious that Mr Chung, who was born in Guangdong Province, and has been dealing with the Communist banks for over a decade, is a trusted associate. The deputy manager of Chung Mao is Mr Sun Man Hon, a relatively young Hong Kong banker recruited from Sin Hua.

Mr Chung sold his seat on the Kam Ngan stock exchange to the new joint venture, which also obtained a seat on the Far East stock exchange. According to Mr Sze, more than 1,000 of the bank's clients are customers of Chung Mao. "We are trading mostly for individuals at the moment, but we

Chung Mao Securities

hope to trade on behalf of more corporate clients as well."

Although Chung Mao has not yet contacted potential Chinese firms who might be listed on the Hong Kong market, Mr Tsao says the most likely institutions would be the largest factories, mines and railroads on the mainland.

The Chinese have been quietly experimenting with share trading for over a year. The first share offer to foreign investors in 34 years was privately issued last year by San He Holdings Ltd, formed by four Chinese corporations in the Shenzhen economic zone.

Hardly an IBM of China, San He said it planned to use the 5m million yuan raised from the issue of 1,000 shares to build a bakery and factories producing frozen food, preserved fruits and syrup.

Two other Chinese concerns Yinhui Tourist Centre Ltd and Baoan County Joint Investment Corporation, are also planning to raise funds through stock issues.

However, the idea of Chinese listings on the Hong Kong market is a more complicated matter. "We will not seek any modifications of the local regulations. Our issues must be approved by the Hong Kong exchange like any others," says Mr Tsao.

He adds, however, that foreign investors would be unlikely to attend annual general meetings of remote Chinese corporations.

Should Deng Xiaoping's current economic policies hold, the Chinese may one day open their own stock exchanges. The most likely locations are the 14 coastal cities, including Hainan Island, earmarked for development into special economic zones, and Peking, Shanghai, Tianjin, and Canton.

Fears among Hong Kong brokers that Chinese financiers are thin on the ground, and inexperienced at the time were recently addressed by the director of Chiao's Hong Kong ad Macau Affairs, Mr Ji

Pengfei. He told a delegation of Hong Kong stockbrokers that young Peking officials in the Chinese International Trust and Investment Corporation were well-informed about security transactions.

"If you think Chinese are naive about the stock market, you're wrong," concurred Mr Chung in an interview after he had returned as a member of that delegation.

"Shanghai had brokers before the war and they still watch the Hong Kong market closely. Some Chinese on the mainland have children studying in Hong Kong, and from them they receive a lot of information about different equities."

The Hong Kong delegation had requested of Mr Ji that under a post-1997 administration, Hong Kong's listing market, securities legislation, and free enterprise nature be preserved. They also suggested Chinese and joint venture enterprises go public on Hong Kong's exchange. Mr Ji said a special Chinese committee was examining these questions.

D. L.

The thirteen secretive sisters

HONG KONG'S biggest group of banks, led by the huge Hongkong and Shanghai Banking Corporation, is known to almost everyone in the Colony—and to many far beyond. Its second largest group of banks—a loose federation rather than a centrally directed, single entity—is still remarkably little known, even in the local banking community.

One foreign bank's general manager admits that "our paths don't cross very often," while a second says "they are still extremely secretive." They are talking about the "13 sisters" or national banks, led by the Bank of China, all of them incorporated in the People's Republic. The Bank of China itself is perhaps the most visible to the outside commercial world, as Peking's main foreign trading and investment bank—effectively the overseas arm of the People's Bank of China, the country's central bank.

Within the local Hong Kong market, however, pride of place goes to the Sin Hua Trust, Savings, and Commercial Bank.

Sin Hua now boasts no fewer than 420,000 accounts out of a population of only 5m. Even allowing for the fact that many Hong Kong people maintain accounts at several banks, its 38 branches plainly give it a large deposit base.

Two more branches were due to open before the end of this month and a further 10 within the next two years.

China's banks

The national banks' expansion into almost every area of banking in Hong Kong is a relatively recent phenomenon, dating back to 1979, when the Peking Government began to encourage them to take part in financing of only Hong Kong of the People's Republic, and in channelling investment funds to China.

Inside Sin Hua's new U.S.\$20m Hong Kong head office, there is evident bustle in the banking hall. The bill trading and money market department, the China trading division and the well-equipped foreign exchange desk.

Women employees, in the uniform common all over Asia, are crisply turned out in striped blouses and blue skirts.

Once a week, top executives of the 13 sisters meet to discuss broad-policy outlines, though in business terms each is an entirely separate bank. Even so, there is little central direction of their detailed lending or funding.

A great part of the banks' business consists of financing—often in conjunction with one of the smaller Hong Kong Chinese banks—joint ventures involving Chinese enterprises. Indeed, it is probably difficult for such deals to go ahead without their assistance.

The national banks did not escape entanglement with the Hong Kong property crash, and in common with nearly every other bank in the Colony they are thought still to have their share of problem loans on the books.

However, Mr Tsao singles out mortgage lending for lower-priced residential property (flats in the HK\$200,000-HK\$300,000 price bracket) as one of the most active areas of Sin Hua's business, in part because the general decline in property values has brought thousands of middle-class first-time buyers into the market.

For such customers, as for the national banks themselves, 1997 is a date of no great consequence; they are not likely to leave. Far from seeing the expiry of the British lease as any deadline, Sin Hua and its sister banks believe they have much to learn and expect further to internationalise their business.

Adrian Dicks

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HONG KONG 9

Retail banks are offering a growing range of services and products

Customers show their confidence

THE HONG KONG banking business presents a paradox this year. At the wholesale level, banks have been feeling the effects of the successive blows to local confidence...

matic teller machine systems now operating in Hong Kong, and to the investment required to press further towards electronic banking.

Hang Seng Bank, the 61 per cent owned subsidiary of Hongkong and Shanghai Banking Corporation, is the largest single institution which is predominantly active in the retail sector...



The financial sector has continued its rapid development in spite of uncertainties over the future

over-banked—that is to say, there are more bank accounts than people in a market where banks traditionally do not charge private customers...

No doubt political prudence has also had a part to play in explaining the success of the national banks in increasing their share of the market for private deposits in recent years.

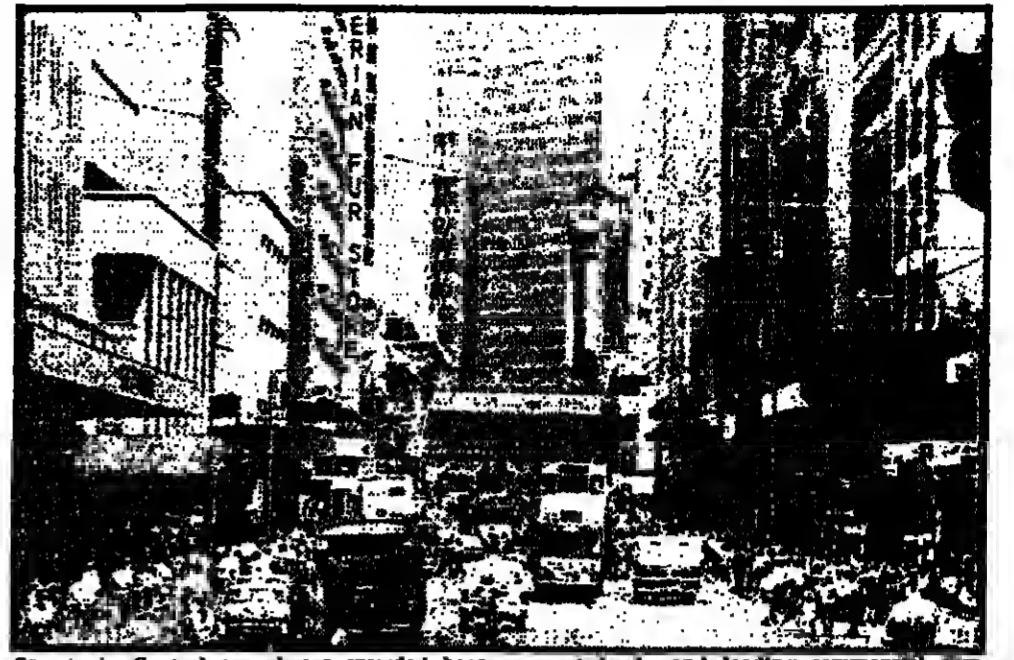
The structure of the market, however, has also played into the hands of the longer established banks, reinforcing their position and making it increasingly daunting for the newcomers to enter.

Thanks to the interest rate cartel that determines how much interest a bank may offer a depositor, the banks with the widest catchment areas for private deposits have the greatest advantage in the cost of their own funding in Hong Kong dollars.

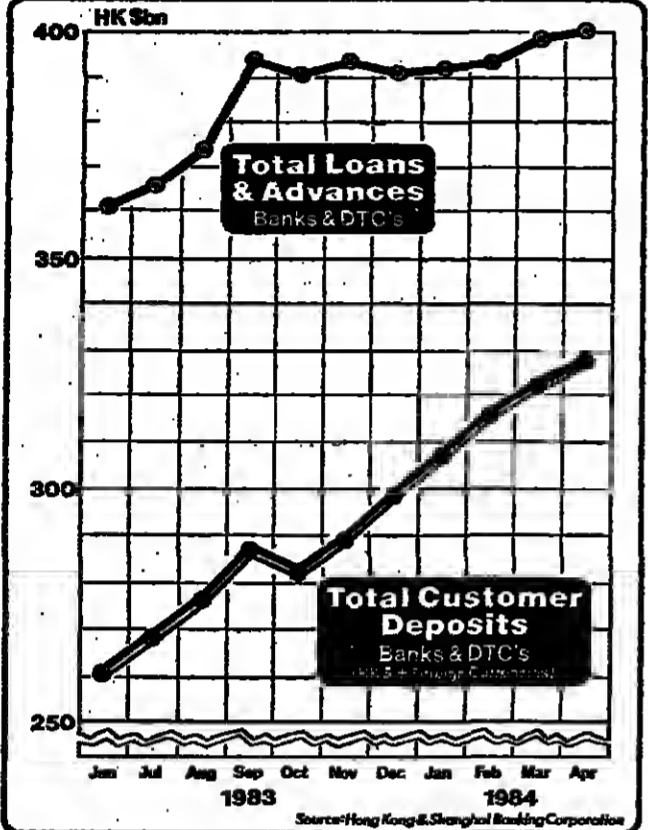
In a period where the cost of overnight funds has several times touched 40 per cent in the local money market, this immense advantage has been further consolidated.

To help matters further, from the banks' point of view, in mid-1983 the Hong Kong Government imposed high thresholds on the minimum sums allowed to be taken as deposits by registered deposit taking companies (HK\$50,000) and licensed DTCs (HK\$500,000).

Statistics suggest that in a technical sense, Hong Kong is



Streets in Central are always crowded because most banks and leading commercial companies have main offices in the district. Above: a typical scene in Des Voeux Road Central



have fallen to the level where large numbers of first-time buyers can afford to enter the market, many of whom have no prospects of being able to emigrate from the Colony even if they wished to.

Other powerful institutions in the retail sector include the Standard Chartered Bank group (which shares with the Hongkong Bank the right to issue local banknotes), as well as a number of smaller banks largely controlled by Hong Kong Chinese shareholders.

Retail bankers agree that this year mortgage lending has been the busiest and most profitable area of lending, especially for flats priced in the HK\$250,000-300,000 range.

Prices of residential property

Association of Banks to let its members decide their own prime lending rates. Defenders of the cartel can point out that, since what is widely perceived as the "pegging" of the local currency to the U.S. dollar, local interest rates have taken the full strain of highly volatile conditions.

Overnight Hong Kong dollar rates may have soared past 40 per cent several times in the past 10 months; they have also dropped to zero. Retail interest rates, it is argued, could not be even indirectly linked to such an unstable wholesale money market without inviting serious disruption.

There have been two substantial bank casualties within the past year. In September last year Hang Lung Bank, a prominent locally owned bank with deposits of HK\$4.5bn,

announced that it could not meet its liabilities, and in a move almost without precedent in the Colony's history, the Hong Kong Government took it over.

A few days later Sun Hung Kai Bank, an arm of the securities group, influenced by rumours that it was in difficulties, was given a HK\$200m support package and effectively taken over by Merrill Lynch of the U.S. and the French Banque Paribas group.

Although the circumstances of the two cases differed widely, the Hong Kong authorities appear predictably reluctant to engage in experiments that could in any way unnecessarily dent confidence, and they are under some pressure to exercise more effective prudential supervision over banks and DTCs.

Those with longer memories can point out that it is less than 20 years since the Hang Seng Bank itself suffered a run that led to its takeover by the Hongkong Bank.

Adrian Dicks

China is seen as offering an area of expansion

Chastened but far from ready to quit

Corporate banking

"I SPEND far too much of my time on closing-up operations; I should think every banker here would say the same."

This pithy summary of the current climate in Hong Kong, expressed by the local general manager of a leading international bank, is a sobering reminder of how drastically the horizons of the banking community in the Colony have been reduced in the last three years.

Internationally famous institutions, lured to Hong Kong by the seemingly effortless profitability of lending to local property companies, or to the governments of what was then the world's most rapidly growing region, could be forgiven for thinking how they had plunged headlong into a very shallow pool.

Nor were they alone; few of the local banks escaped completely unscathed from the collapse of the property market, while the largest of them, the Hongkong and Shanghai Banking Corporation, was owed about HK\$1.5bn by the Canzon property group when it collapsed.

Mr John Mansfield, a director of Woodley, the merchant banking arm of the Hongkong Bank group, plays down, by comparison, the more recent effects of the crisis surrounding the Colony's political future. "Much of what's hit Hong Kong would have hit it anyway. The property collapse is easily the worst thing, especially for Hong Kong's reputation. That is going to take many years to work through."

Yet while they are chastened by the disasters of the last few years, Hong Kong's bankers are by no means ready to quit. For those with long-established reputations, large branch networks and hence a large Hong Kong dollar deposit base, retail banking has been an extremely profitable business in the last year or two, thanks to broad economic recovery, and has shown little sign of suffering from political uncertainties.

Those banks without the deposit base needed to thrive in the retail market, however, have been forced to look to other areas of activity. For the merchant banks (whose commitments in direct lending to the property sector were relatively small), this has meant turning back to fund management and securities underwriting as well as helping to develop such important new areas as the market for Hong Kong dollar certificates of deposit and for locally issued commercial paper.

For many bankers, the obvious attraction has been Hong Kong's flourishing manufacturing sector, still enjoying a solid export boom on the back

of the strong U.S. economic recovery.

Last year, according to some analysts, there was an overall drop in net capital formation in Hong Kong, suggesting that statistically at least, the financial needs of the manufacturing sector either were relatively modest compared to the overall shrinkage of lending, or were met out of retained earnings or through the use of idle capacity.

With a situation in which there appears to be more lenders than borrowers, banks are being driven to compete for the business of the corporate sector by outdoing one another in the terms and services they can offer.

They are also well aware that the better-known names in the manufacturing industry are very favourably placed to raise equity finance through public share issues, as several were able to do earlier this year before the stock market declined to the point where new issues could not be attempted.

The property collapse is easily the worst thing to have happened...

Bankers insist, however, that they are scrutinising potential corporate customers closely, and they are only too well aware that some are companies which have mismanaged, in typical Hong Kong style, from very small beginnings.

Mr Peter Dodd, head of Barclays Bank's operations in the Colony, says he looks above all at the quality of management. "You would think twice about someone who has changed from food products to electronics overnight."

He also points out the vulnerability of the electronics industry to the vagaries of the market, especially in the U.S., where there has been mounting evidence in recent months of a slowing down in personal computer sales — one of the main end-user industries of Hong Kong's output.

If any reminder were needed of the pitfalls of corporate lending, it has been provided in recent months by the difficulties of Conic Investments, Hong Kong's biggest electronics company, which in June announced losses for 1983, after extraordinary items, of HK\$374m.

The company attributed its losses to debts owed by Conic Holdings, a private concern controlled by Conic's chairman and founder, Mr Alex Au, whose whereabouts were said to be unknown.

The chief novelty in the situation was that the main losses to debts owed by Conic mainland Chinese interests in the shape of China Resources, the country's main state trading organisation in Hong Kong, and the Bank of China, which between them came to Conic's

recess last January with a HK\$187m cash injection and acquired a 33 per cent stake.

Although rival bankers are taking no pleasure in the Chinese authorities' discomfiture over the Conic affair, there is a widespread view that it could be a necessary part of their education in the ways of capitalist business (albeit the less acceptable face) as the long, difficult process of meshing Hong Kong more closely into China's economy gets under way. There is also general approval of the fact that the Chinese shareholders in Conic "took it on the chin."

Business with China is the remaining major area in which Hong Kong banks can expect to expand in the future. Here, too, success is likely to go to those institutions which have put in years of scarcely visible work on establishing contacts and building firm foundations.

A handful of banks, including the Hongkong Bank and the Chartered Bank, have been able to maintain branches in China continuously, even though little business was done during the Cultural Revolution. Many more have put their efforts into representative offices in Beijing and other cities.

Much of the "China business" done by Hong Kong banks is at a relatively routine level of trade financing, but gradually relations are also being built up with corporations and other authorities in China which Hong Kong bankers hope to gear into long-term borrowers. Increasingly, such business is done in partnership with Chinese banks.

While such borrowings remain on a fairly modest scale, China as a whole is considered by foreign banks to be greatly "under-borrowed" — there are one or two large projects on the horizon, such as the Daya Bay power station scheme for which bankers are already trying to position themselves in hopes of gaining a leading role in arranging long-term U.S. dollar finance.

For the time being, lending from Hong Kong to other sovereign borrowers in the Pacific region seems likely to remain quiet. The Philippines' debt crisis remains a serious worry, while the countries to which bankers would most like to lend, such as Indonesia and Malaysia, appear in no immediate mood to borrow.

Yet Hong Kong remains important to banks as a regional centre in other ways — and management, shipping finance, aircraft leasing and foreign exchange — that are relatively insulated from its own domestic preoccupations. It thrives because none of the suggested alternative locations meets all the necessary conditions — Singapore, Tokyo or Bangkok, for example. Bankers visibily enjoy living and doing business in Hong Kong; they seem in no mood to move just yet.

A. D.

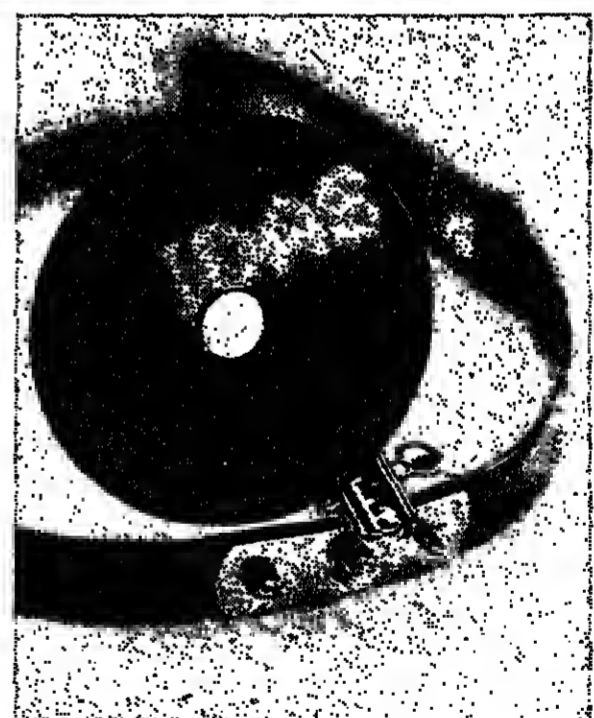
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HONG KONG 10

Share prices have recently recovered but sentiment is likely to remain volatile. Christopher Wood reports

Political uncertainty exacts a heavy toll

Stock market

POLITICAL uncertainty has made Hong Kong a perilous market for any investor in the past 12 months. That does not mean, however, that there have not been opportunities for the nimble trader to make money out of the volatility inherent in such a market.

Its legal domicile to Bermuda to seriously undermine settlement. The Hang Seng index slumped to the 900 level. After a short rally, the announcement by Sir Geoffrey Howe, Britain's Foreign Secretary, on April 20, that Britain would have no say in the administration of Hong Kong after China regained full sovereignty in 1997, sent share prices into reverse once again.

Since then the slide has seemed to become remorseless. Share trading was at a trickle throughout June and July, with a sudden hike in prime lending rates in the territory by 3 1/2 per cent to 17 per cent—a move intended to buoy the flagging HK dollar—speeding the decline in share prices.

The statement by Sir Geoffrey Howe in Hong Kong on August 1, suggesting that British negotiators in Peking had won concessions from the Chinese on the agreement on Hong Kong's future brought a long swelled rally. In a matter of three trading days, the Hang Seng index had risen through the 800 mark and on to the 900 level. The mood has been further improved by a cut in interest rates.

It is still too early to tell whether the rally will be sustained, or whether fresh bouts of political uncertainty ahead of September will again puncture sentiment. The current volatility, which is occurring against the background of a thriving export economy and other favourable fundamentals, only emphasises how politicised the market is. There is an understandable reluctance on the part of institutions to commit funds.

However, one previously vogue sector which is out of favour is manufacturing stocks, most of them electronics companies. Perhaps the most notable feature of the market, other than the continuing political dilemma, has been a spate of new listings. From the second half of 1983 seven industrial new issues have come to the market offering between 25-40 per cent of their equity. Some of these received extremely favourable receptions though sentiment has now changed dramatically as the shake-out in the U.S. computer market and other areas of new technology has revived fears of just how vulnerable these Hong Kong-based supplies are to cancelled orders.



The Hong Kong stock exchange: volatility has produced both dangers and rewards.

concerns, the most notable being Hong Kong Land. What then is the basic level at which to adopt a contrary view and buy back into Hong Kong? For those with a gambling streak 700 seems the best target as the market twice rallied from that level, first after the disastrous Thatcher visit in September 1983 and then again last autumn following the pegging of the currency.

Adrian Dicks looks at the fortunes of two merchant banks and Christopher Wood profiles a leading broker

Pioneer in the Pacific

"HONG KONG is a place where you can make extra-ordinary one-off profits," says Alan Smith. The merchant bank he heads, Jardine Fleming, is the Colony's oldest and in 1983 was its most profitable. Profits attributable to shareholders came to a healthy HK\$88.5m (£8.3m), up from HK\$65.9m (£6.1m) the previous year. Mr Smith does not break down details of this performance, but he can point with pride to some of the areas where Jardine Fleming did well — to say nothing of those where it left well alone.

banking licence within the next year or so, based on its record as a licensed deposit taker, though Mr Smith is emphatic that market conditions need to be more favourable than when this step was first considered a couple of years ago. As its name suggests, Jardine Fleming is owned 50-50 by Jardine Matheson, the oldest and largest of Hong Kong's trading houses, and Robert Fleming, the London merchant bank and investment management group.

Within a year or two, all that had changed. The young Jardine Fleming found itself thrust into a lively mergers and acquisitions business, starting with the 1972 battle in which Hongkong Land acquired Dairy Farm. In the years that followed, JF acted for Jardine or Land (the two companies are connected by cross shareholdings as well as by overlapping directorships) in many other epic takeover struggles.

Finance field. A British solicitor by training, he had first come to the Colony in 1970 to teach company and commercial law at Hong Kong University after a spell at the University of East Africa in Nairobi. He is still an honorary lecturer at Hong Kong University, a member of the editorial board of the Hong Kong Law Journal and an occasional author of scholarly papers on legal matters bearing on China. While Mr Smith would claim no greater insight than anyone else into what 1997 may really hold in store for Hong Kong, he sees plenty to do in the meantime.



Mr Alan Smith offer now were developed to meet special demands from clients. Jardine Fleming claims a good many innovations in Hong Kong's financial techniques, including the introduction of loan stocks carrying warrants, convertible bonds, floating rate certificates of deposit denominated in local dollars, schemes of arrangement in merger deals, and the Colony's first commercial paper issues for Jardine and Land.

Faith in future

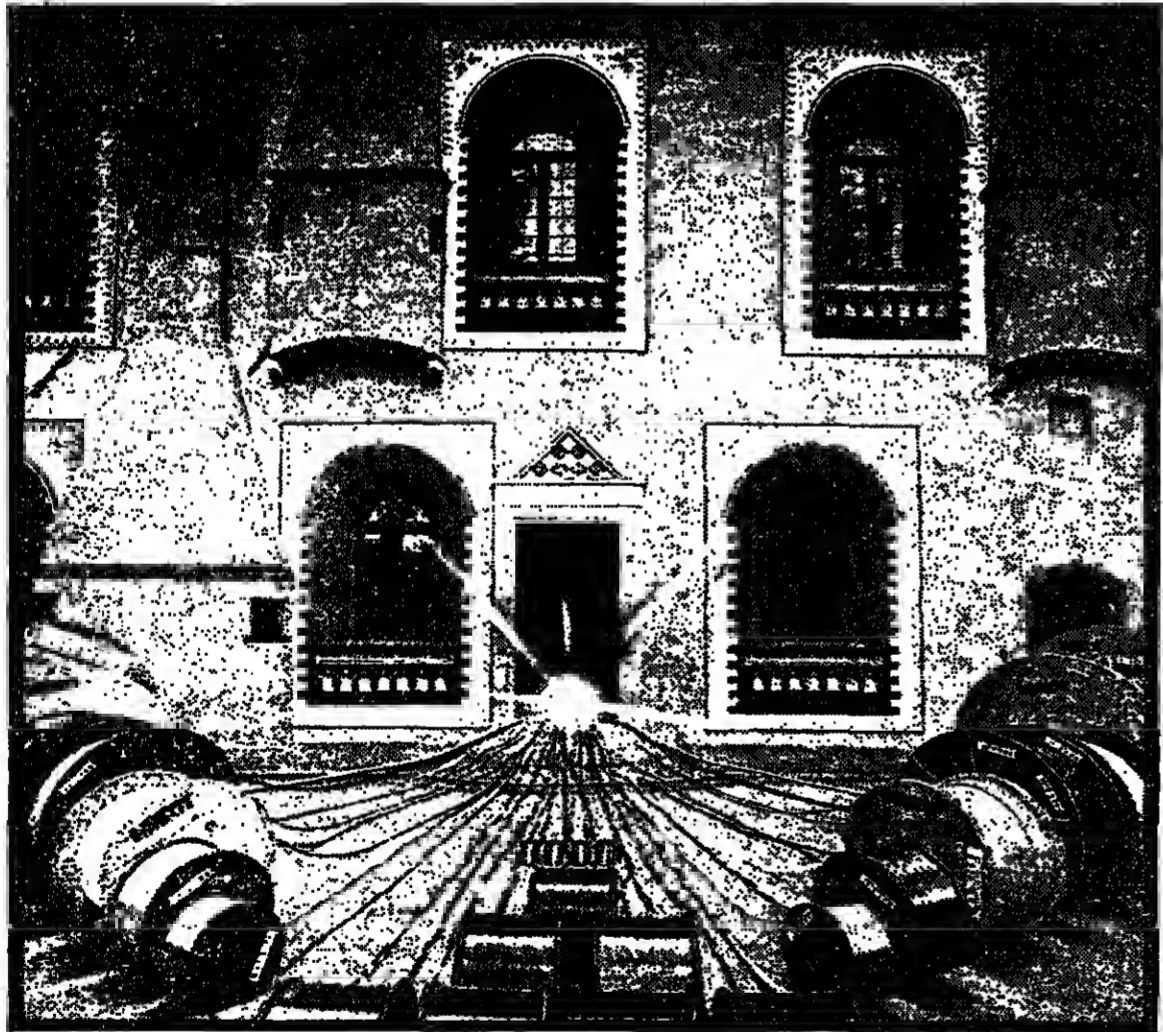
"STANDING BACK, the figures are good," Mr Hugh Bolland, newly appointed managing director of Schroders & Chartered, the Hong Kong merchant bank, is ready to stand up and be counted among the optimists of the Hong Kong financial community. "A series of events has hit sentiment here, and it is possible that the Sino-British agreement in September will do so, too. But look at the economy. Hong Kong is heck to 7 per cent growth. Exports are booming and the companies are sound. There is very good money to be made in the next five years."

The typical issue has been on behalf of a local manufacturing company, riding high on the export boom, which wants both to strengthen its equity base and in order to expand, to arrange for owners to take a portion of their investment out of the business in cash. Options differ as to what the typical Hong Kong manufacturer is doing with the proceeds of his issue. For a few months earlier this year, the new issues kept coming thick and fast, despite a broadly falling stock market, leading in several cases to disappointingly meagre proceeds for the companies concerned, while offering investors shares priced at very low multiples of earnings. As a result, there were Hong Kong stock exchanges (which have the right to set the initial price/earnings ratio of a newly issued share) appeared over-eager to see issues succeed, even at bargain basement prices. As a result, there were well-publicised "warmlaps" between the exchanges and the merchant banks.



Mr Hugh Bolland term debt markets in Hong Kong, the Hong Kong dollar-denominated certificate of deposit market and the commercial paper market. Both are growing relatively slowly, and for the time being are open effectively only to the colony's top names. Thanks, however, to the authorities' decision to allow CDs to be counted as a small portion of banks' liquid assets, further growth in the market seems certain.

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Foreigner with local appeal

AT THE age of 29, Philip Tose, the long-time head of broker Vickers da Costa in Hong Kong, can look back on a remarkably successful career in this most individual of markets. In joining Vickers Tose was following in the footsteps of his father, Leigh, who was a senior partner in the company. He arrived in 1973 and has been with the company ever since, for nearly all of that time running its operations. Among the London broking houses based in Hong Kong, he is renowned for the strength of his Chinese client list, of whom the most important is Hong Kong property tycoon Li Ka-Shing, the greatest winner of the last bull market and today the chairman of Cheung Kong and Hutchison Whampoa. In his early days in Hong Kong, Tose saw that it made sense to build close links



Mr Philip Tose with the HK Chinese business community — for information as much as commissions — and that managing dealing desks with expatriates in what was fundamentally a Cantonese market were an unnecessary luxury. Other London brokers put

their expatriates in expensive accommodation and gave them other perks. In Vickers' case Tose is the only non-Chinese working on pure HK brokerage operations. When he first arrived in Hong Kong ten expatriates worked in the office. In terms of market share in HK, Tose puts Vickers in the first three but is reluctant to be more specific. Vickers appeals to both local Chinese and foreign institutional investors because of its international dealing capability. It was this which led Citicorp to agree to pay \$20m for the broker last November, a deal from which Tose benefited handsomely as a major shareholder. Executive directors owned two thirds of Vickers' equity and at the time of the Citicorp acquisition the shares had risen from \$6p to \$5 in years. But not even a man as well informed as Tose is free of

the risks inherent in the Hong Kong market. Disaster nearly struck because of Vickers' touting of the ill-fated Carrigan Investment. A bullish research book bearing the unfortunate title Carrigan Revisited was put out by the broker days before the Carrigan first announced liquidity problems. Since then Vickers has managed to preserve its market share generally by keeping its head down. Competitors admit that it has survived the embarrassment of Carrigan remarkably unscathed. As for the future, Tose does not hide the fact that policy has probably changed the HK stockmarket for good. "It's not a market that can any longer be bought on fundamentals," he says candidly, seeing it primarily as a trading vehicle where opportunities will inevitably present themselves given the inherent volatility.



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HONG KONG 11

The groundwork for the launch of trading is expected to be completed by October 1

Exchange aims for world class

Financial futures

DOES HONG KONG need a financial futures market, and if it does, can a viable one now be established in the same time zone as the budding Singapore International Monetary Exchange?

The Hong Kong business establishment, though initially sceptical, seems prepared to put its weight behind the venture: major local and foreign banks are expected to buy seats, as well as member firms of the Hong Kong Commodities Exchange, into which the new market will be grafted.

The authorities, for their part, appear satisfied with the proposed prudential and supervisory arrangements while Sir John Brembridge, the Financial Secretary, has applauded the creation of the market as an important addition to Hong Kong's infrastructure as a financial centre and as a reflection of "our basic belief in free enterprise."

Legislation is being prepared and Dr Kim Cham, chairman of the Commodities Exchange and architect of the financial futures proposals, says "we aim to have all the groundwork finished by October 1."

It will then be mainly a matter of getting the timing right for the launch of the first new contract, a stock index futures instrument based on the Hang Seng Index of the Hong Kong stock market.

Since the market may well undergo a period of nervousness before and after publication of the Sino-British agreement laying out details of Hong Kong's future after 1997, which is due in September,

promoters of the financial futures market readily accept that the launch may have to be delayed until early 1985.

By that time, the Singapore market will have started up with its first three contracts, for Eurodollar interest rates, U.S. dollar-yen foreign exchange rates, and gold. Although its opening has been much delayed, and the proposed direct link with trading in identical contracts on the Chicago Mercantile Exchange may not yet be in place, Singapore is confident that this will eventually be a magnet to those futures market operators who want to deal around the clock.

Sinex intends its contracts to be perfectly interchangeable with those of the CME, and indeed the delays to its launch have been caused in part by the process of U.S. regulatory approval.

The Hong Kong market's supporters profess complete unconcern at Singapore's plans, and point to what they believe are fundamental differences between the two markets.

Contracts

In technical terms there will be little exact competition. Hong Kong will continue to offer its present selection of physical commodity futures — gold, sugar and soya beans — as well as financial contracts.

Dr Kim Cham is confident that these will expand from stock index futures based on the Hang Seng Index to include contracts based on a freight index, an Eurodollar and possibly Hong Kong dollar interest rates, and on foreign exchange rates based on both the local and the U.S. dollar.

Among these, only Eurodollar and U.S. dollar-yen contracts would thrust Singapore and



Sir John Brembridge, Financial Secretary: applause for creation of market

Hong Kong into direct competition. The present Hong Kong gold futures contract is little traded, but the Colony can claim the world's third most active gold market, after New York and London. It is based on metal content and weight specifications that are all its own. The Chinese Gold and Silver Exchange Society has been in existence since 1910, and saw a rapid expansion in dealings after restrictions on the physical import and export of the metal were lifted in 1974.

Foreign-owned firms may not become members of the Exchange, though they deal extensively on it indirectly on behalf of investors in other time zones of the world. Access

to London is also provided, mainly through the British bullion houses, by means of the Loco London market, which offers Hong Kong-based investors access to London forward dealings.

Mr Robert Sitt, managing director of Samuel Montagu (Hong Kong), estimates average turnover in the Loco London gold market at 1.5-2m oz a day with dealings on the Exchange at roughly half those levels. In addition to gold, Hong Kong investors also now have access to international silver dealings through the Loco London market.

Gold dealers in Hong Kong see relatively little threat to this flourishing business from Singapore, and they argue that their clients are well served by the present mix of cash and forward dealings, supported by the gold-denominated accounts now available at some Hong Kong banks—a facility that may eventually weaken the fondness of many smaller Chinese investors for taking physical possession of their metal.

The local bullion trade has largely ignored the Hong Kong Commodities Exchange futures contract, arguing that it is less flexible than London forward dealing and that the market lacks liquidity. In the longer term, however, the bullion dealers are among the groups which the financial futures exchange will need to interest in active participation. There has already been active discussion of adding a Kruggerand-based futures contract to the market.

The new exchange will be formed on the basis of the Hong Kong Commodities Exchange's present membership and will use its trading floor. Dr Kim hopes to increase the number of member firms from about 150 to perhaps 350, count-

ing in banks, deposit taking companies and other financial institutions, stock brokers and bullion dealers.

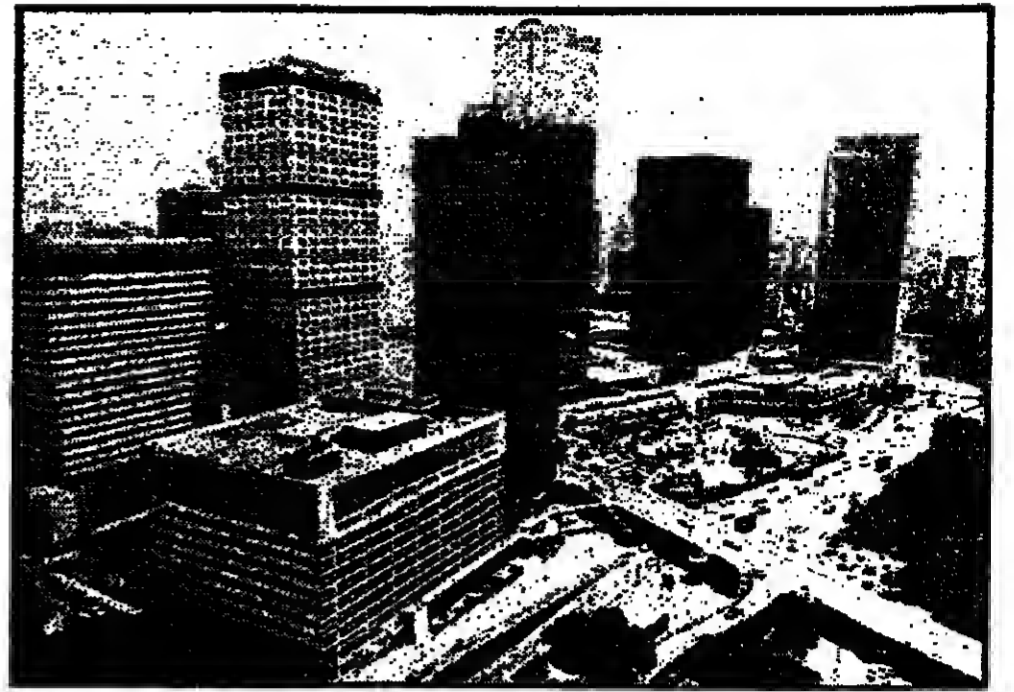
The Government will appoint the founding board, which thereafter will be elected, with one-third of its members standing each year. The Commissioner for Securities will retain supervisory responsibility, but it is intended that the exchange should largely regulate its own affairs through strict oversight of members' positions and financial standing. Dealings by members on their own account will be strictly controlled.

Flourishing

Dr Kim Cham believes there is scope for greatly expanding futures dealings in agricultural commodities and metals as well as financial instruments. His hope is that Chinese trading enterprises and provincial authorities will come to realise that they can hedge their export prices through the exchange for soya beans and sugar, currently traded mostly on a long-term contract basis. If he is right, the exchange might subsequently introduce contracts in cotton yarn, Chinese tea, livestock and base metals. "We aim to be the market China knows best," he says.

The Commodities Exchange and the authorities have settled on an elaborate structure for the new futures exchange, designed to ensure that its growth is as smooth and orderly as possible.

The choice of the Hang Seng Index as the first financial contract was made deliberately because it is the most widely followed barometer of Hong Kong's day-by-day economic health, and the promoters of the exchange hope that inves-



There is little doubt that Hong Kong can provide the speculative capital needed to make a futures market come to life. Above: the financial centre

tors will be able to see for themselves how futures contracts can be used to help hedge portfolios of shares. The market will be open to stock brokers firms to deal in the index contract.

Brokers, and for that matter other new members, will initially be confined to one of the divisions of the new exchange until they have satisfied the authorities of their competence to broaden out. Existing member firms of the Commodities Exchange will have trading rights in all divisions, but will need to satisfy more stringent financial conditions and provide far more information before being allowed to move beyond the present range of contracts.

The most important new category of members will be the banks and deposit taking companies which are expected to dominate the financial futures

dealings.

Although many bankers feel, like their counterparts in London prior to the start of financial futures dealing, that they offer their customers an adequate forward foreign exchange service, they readily agree that Hong Kong has no similar hedging mechanism to protect the financial community against local interest rate fluctuations.

Since the partial linking of the Hong Kong dollar to the U.S. currency last September effectively damped down foreign exchange speculation, local interest rates have been highly volatile, so that a hedging mechanism in the form of futures contracts could prove attractive.

The local banks and DTICs, whose participation in the financial futures market was to effect the condition for official approval, say they are excited

about this prospect, though they wish to see stock index futures well established before further contracts are launched—and before they commit themselves to setting up futures dealing departments, recruiting and training staff, and marketing financial futures to their institutional customers.

What seems to be in little doubt is that Hong Kong can provide plenty of the speculative capital needed to make any futures market come to life—the equivalent of the well-heeled "locals" whose existence in Chicago counts for so much.

As one senior banker summarises: "There is no doubt at all that the market can thrive. The important thing is to ensure that it can regulate itself properly and prevent the cowboys from dominating it."

Adrian Dicks

PROFILE: DR. KIM CHAM

Enthusiastic architect of new venture

"I may be indulging in wishful thinking, but if this comes off it could be something very big for Hong Kong." Dr Kim Cham, just for a moment, allows his excitement to show through the end of a long expedition of the project to which he has devoted several energetic years of his life, the establishment in Hong Kong of a world class futures market.

Dr Kim Cham set out like many other ambitious Hong Kong Chinese on an academic path. After a first degree in economics at Hong Kong University, he took a Master's in business administration at Queen's University

in Ontario, followed by a PhD at Bath, a post-doctoral programme at Harvard, and then a spell teaching accountancy in Australia. On the way he also became a Fellow of the Institute of Banking of Canada.

Returning finally to Hong Kong Dr Kim, who is 33, became head of the department of management studies at Hong Kong University. Yet he says his family—businessmen, traders and investors in stocks, gold and commodities—were still unimpressed by his academic experience, to say nothing of the level of professional stipends. They are also possibly unimpressed



that he heads HK's Rural Council.

Since his appointment as chairman of the Hong Kong Commodities Exchange last year, Dr Kim Cham has had no lack of opportunity to test out either his theoretical grounding in economics and accountancy or his business instincts. On both counts he has been stretched hard.

The Exchange's urgent need was for an independent and authoritative figure to repair its own reputation, after a series of damaging incidents in recent years had called the standing of some member firms and the ethics of the market into question. The new chairman says that improvements in monitoring member firms' positions and financial records remain a top priority, and he believes that most market participants welcome this process.

Investors

Dr Kim Cham also recognised that the Commodities Exchange must make itself more useful to the rest of the financial community, if it was to grow from its present relatively modest scale by developing new products. The Hang Seng Index, most widely used measure of the performance of the Colony's stock market, is his choice as the first new futures contract. It is already widely followed, entails no complicated settlement problems, and should offer investors in shares a relatively easy demonstration of how a futures contract can be used to hedge a portfolio.

Yet even before embarking on the long process of selling the idea to investors, institutions and to the Hong Kong authorities, Dr Kim Cham found himself devoting many months to writing the software needed to turn the computation of Hang Seng Index from a three-daily calculation into a constant, real time measure of the stock market.

With so much personally at stake, Dr Kim Cham cannot allow this enthusiasm to force the pace, and plainly the original early autumn target date for trading the stock index contract will need to be postponed for as long as it takes the market to adjust to the Sino-British agreements expected to be published in September. "We would not like us to start with too wide fluctuations. We are determined to develop a unique, regulated market. We don't feel pressed for time to get started."

A.D.

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HONG KONG 12

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U.S. elections
cast shadow
on exports

Textiles

THE MILLS and garment factories in Kowloon and the New Territories are enjoying the sort of boom that brings satisfied smiles to the faces of the people of Hong Kong. Under the influence of the strong upward movement in the American economy, the main market for its goods, Hong Kong's textile and clothing industries have soared upwards in the last year.

And now that a number of aspects of Britain's agreements with China over the future of HK have been settled, some of the industry's worries have been removed. One little-noticed example of this is that China has agreed that the label "Made in Hong Kong" should be retained rather than the "Made in Hong Kong/China" that had been mooted. This may be a small indication of China's intentions towards the colony but it is considered an interesting one.

Surprisingly, the textile side of the business has done remarkably well over the past 12 months. Surprisingly because Hong Kong's own textile business has over the past four or five years been under pressure from low-cost suppliers in the Far East, pressure in such a point that many firms have moved out of the industry. Fears were even expressed that textile production might become a relatively minor sector of the trade.

Resilience

But the past 12 months have seen a resilience in Hong Kong as local manufacturers have fought back. Domestic exports of textiles and fabrics rose by 50 per cent to HK\$2,848m in the first four months of this year, compared with the same period of 1983, while exports of clothing went up by 49 per cent to HK\$12,736m.

In re-exports the textile sector did even better, going up by 80 per cent to HK\$3,676m compared with a 64 per cent jump in re-exports of clothing and apparel.

The U.S. has continued to dominate export markets, taking almost HK\$500m in the first quarter of this year compared with HK\$2,500m in January, February and March 1983. This was a rise of some 75 per cent.

Both West Germany and the UK, the next most important markets, also took more Hong Kong goods, sales to Germany rising by 48 per cent and to Britain by just under 40 per cent. Exports to other high-income countries, such as Holland, Sweden and Switzerland, also did well.

Behind this buoyant situation, though, lie a number of

worries. The most important of these concern America in an election year but there are also worries about the future of the Multi-Fibre Arrangement, the agreement which regulates much of world trade in textiles and clothing, which expires in two years' time. Some people have also expressed the feeling that the General Agreement on Tariffs and Trade may not be doing enough to promote free trade after the present MFA runs out.

Protectionism in America is not a worry peculiar to Hong Kong. It is one that is felt by most of the countries in the Far East which look to the U.S. as a major market. Election years have always been difficult ones for the low-cost producers because the influential American textile lobby invariably takes the opportunity of the election to squeeze promises out of the presidential candidates. It has never been forgotten in Hong Kong that the Long Term Cotton Agreement, the precursor of the MFA, was extracted from John Kennedy in 1961 when he was first running for the White House.

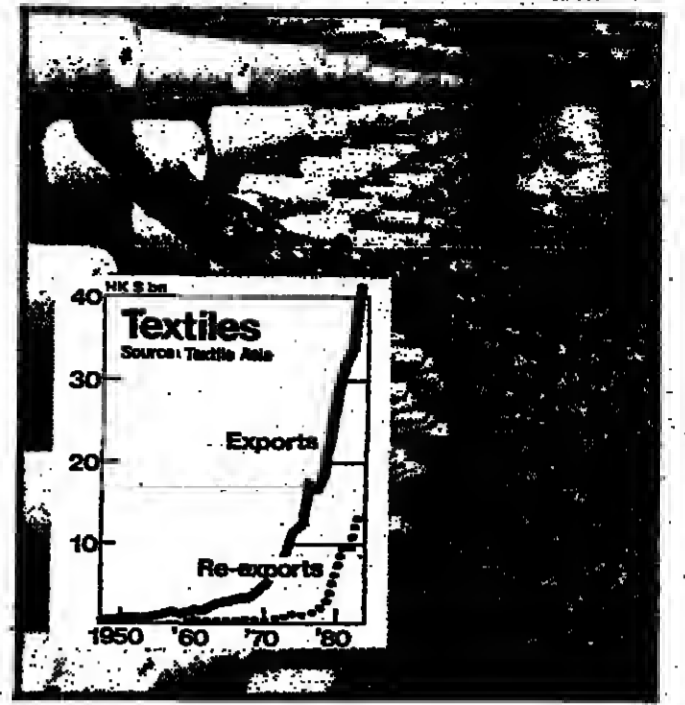


The booming U.S. economy has brought a sharp recovery for HK manufacturing

This year the U.S. has been welding the big stick. Earlier this month it unilaterally imposed tougher controls over origin labelling, a move which Hong Kong's Secretary for Trade and Industry, Mr Eric Ho, said would cause great hardship for the colony. The U.S. has also been making repeated "calls" on Hong Kong and others to try to stem the flow of imports.

A "call" is the procedure by which the U.S. may seek to renegotiate a bilateral agreement on the amount of goods which Hong Kong can send to the U.S. if it believes its market has been disrupted by imports.

Since the middle of last December the U.S. has made 24



"calls" on Hong Kong for items such as cotton broadcloth, play suits, sheets and other apparel, for woolen suit-type coats, for man-made-fibre yarns, dressing gowns, night-wear and underwear.

Sometimes the Americans have made a "call" under a heading designated as "other apparel" a category strongly resisted by Far Eastern countries since they say that if the Americans want to renegotiate a particular item they should specifically identify that item rather than lump it under a general heading.

The usual procedure when a "call" is made is for the two parties to discuss what levels of trade the U.S. wants to negotiate and try to reach some sort of *modus vivendi*. If there is too great a gap then the parties may go to the Textile Surveillance Body in Geneva, a committee of GATT.

Hong Kong has done just that this year. In February, for instance, the U.S. "called" play suits of man-made fibres. It subsequently withdrew the "call" in May after the TSB had examined the case at Hong Kong's request. Another "call" in the U.S. withdrew, at the end of May, concerned wool suit-type coats for men and boys and although it was at one time thought the Americans might take a softer line on "calls" in the second half of the year talks were still being conducted on six of them as recently as July 12.

Not that Hong Kong is alone. India has taken complaints to the TSB concerning cotton coats and woolen sweaters while Pakistan has also been to Geneva on cotton coats and cotton dressing gowns.

At a TSB meeting in May it was felt that the Americans had not proved market disruption concerning imports of some goods from South Korea and a month earlier the body found no damage had been proved against imports from Turkey.

A "call" on cotton broadcloth fabric from Japan was withdrawn in January. Most of the "calls", though, lead to some cut-back in supplies. The producers need the U.S. market - it is very important for all of them - and they are therefore loath to stand up resolutely to American

Restraint 'calls'

"At least you know where you stand with the Community," one official stated. "If it agrees a level of imports then it stands by that agreement. There is something to be said for this."

What Hong Kong wants, though, is free trade. It has a completely open market and wants reciprocal arrangements for itself.

The colony is now looking to the ending of the Multi-Fibre Arrangement when the present one runs out in 1986. When a group of 20 of the leading Third World producers met in Karachi last month they drew up an uncompromising set of conditions for the coming negotiations, which precluded any form of voluntary restraint on their part.

Mr Arthur Dunkel, director general of GATT, attended the conference and was told that the seemingly liberal paper produced by his organisation, which postulated greater opportunity for Third World countries to sell clothes and textiles to the industrialised West, was a disappointment.

The low-cost producers, with Hong Kong in their van, are to press very strongly over the next two years for the abolition of the MFA and in their eyes the actions of the Americans and the Europeans are seen as the last jerks of a dying body.

Anthony Moreton

CHRISTOPHER WOOD PROFILES CATHAY PACIFIC AIRLINES

Diplomatic turbulence ahead

ONE QUESTION which will need to be addressed in any Sino-British settlement on Hong Kong is the future of the colony's flag carrier Cathay Pacific.

Appropriately for free-enterprise Hong Kong, Cathay is a private airline, 71 per cent owned by Swire Pacific (which is controlled by the Swire family who live in Britain) and 29 per cent owned by the Hong Kong and Shanghai Banking Corporation.

Famous for its exotic array of Asian hostesses and high standards of service, Cathay, now in its 37th year, is a commercial success story. Last year it contributed a record HK\$600m to Swire Pacific's gross operating profits of HK\$1,590m, and this year looks set for another record.

However, like Hong Kong, Cathay's future is uncertain. That is because its traffic rights derive from agreements based on British sovereignty over the territory. Traffic rights are based on bilateral treaties between states and so in Cathay's case they are negotiated through the British Government in London.

Cathay's case is put to London through the Hong Kong Government's civil aviation department.

In the past this position has caused concern about potential conflicts of interest, as the British Government also acts for Government-owned British Airways, a Cathay competitor in the Asia region.

With the British Government now keen to make British Airways as attractive a prospect as possible in view of plans to sell off the state airline, Cathay has perhaps had further grounds for concern.

However, such considerations are far outweighed by the constitutional dilemma

posed by Britain's agreement to cede sovereignty over Hong Kong in 1997.

If the Chinese take a hard line on future traffic rights out of Hong Kong, which is quite possible given the natural desire to expand the civil aviation administration of China's own services, there would be little either the British Government or Cathay could do about it.

Traffic rights

Equally it would be foolhardy to allow a highly successful operation like Cathay to be run down just because of change in Hong Kong's political status.

This has led to speculation that Cathay might negotiate a deal with either British Airways or British Caledonian - the tie up would certainly strengthen either of these two airlines. It would also allow the Swire family to divest itself of a business at a time of record earnings, and reduce its exposure in Hong Kong.

Whether that is its intention is another matter. No one in the Swire group will comment officially on such a sensitive subject.

In the meanwhile Cathay has been steadily building up its routes beyond Asia opening up opportunities to feed its passenger traffic into its Asia network. The first expansion came in 1976 with flights to Australia. This was followed in 1980 with the opening up of the successful London route.

The airline is now also flying to Vancouver, Auckland and Frankfurt. In all, the passenger fleet of 18 aircraft covers more than 400 flights a week, generating profits that provide a fitting example of Hong Kong enterprise in action.



Future uncertain: Cathay Pacific aeroplanes on the runway at Hong Kong's airport.

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Above: Hong Kong. Tunnel construction for the Hong Kong Mass Transit Railway Corporation.
Above: Papua New Guinea. Construction of the penstock tunnel for the Warangoi Hydro-electric Scheme.
Left: Trinidad. Overseas container terminal, Port of Spain.

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HONG KONG 13

Concern that consumers may have to pay more Sparks fly over link with Chinese nuclear plant

MENTION ENERGY or electric power in Hong Kong and you can be sure the next question will be about Daya Bay, China's first major nuclear power station, to be built near the Shenzhen special economic zone in Guangdong just to the east of Hong Kong.

Hong Kong is expected to buy about 70 per cent of the output from the nuclear plant, which is to be equipped with two 900 Mw pressurised water reactors, and will cost about \$4.6bn.

Hong Kong's link with the project is the Hong Kong Nuclear Investment Company (HKNIC) which has a 25 per cent stake, with the Guangdong Power Company owning the remaining 75 per cent — has been a source of controversy since it was announced. Apart from anti-nuclear lobbyists, many have expressed concern that electricity from Daya Bay will be expensive compared with other conventional sources of electricity.

Hong Kong Electric, the smaller of the territory's two power suppliers, opted to stay out of HKNIC in March this year, leaving China Light and Power as the only Hong Kong shareholder in the project.

'Blank cheque'

HK Electric said participating in the project would amount to "signing a blank cheque." Instead it is building a new coal-fired station on Lamma Island, and says this is sufficient to meet electricity demand on Hong Kong island — where it has a monopoly of supply — beyond the mid-1990s. The viability of the Daya Bay

Energy

project has since its inception been based on Hong Kong's willingness to buy most of the output. With the Chinese owning three-quarters of the equity, and HKNIC the remaining quarter, it will be financed as 10 per cent equity (about HK\$3.6bn) and 90 per cent debt (about HK\$2.4bn).

While China is expected to supply land and labour in exchange for its stake, it plans to service borrowing costs by selling 70 per cent of electricity output to Hong Kong. Since HKNIC's equity stake entitles it to just 25 per cent of the power output, the rest would be paid for with foreign exchange.

Final agreement on the project is not expected until late this year. This means that the expected contractors — Framatome of France providing the nuclear part of the plant and General Electric Company (GEC) of Britain supplying turbines and generators — must wait on tenterhooks until then. But the agreement is likely to contain a commitment from HKNIC to purchase a certain minimum of electricity, and guarantees of a steady supply of foreign exchange.

It is the open-endedness of this commitment, coupled with what is likely to be quite high costs for transmission lines from Daya Bay, that gave HK Electric cold feet, and has triggered so many questions about the need to depart from conventional electricity generating technology.

China Light and Power, which holds the monopoly to supply electricity to Kowloon and the new territories, insists it is not neglecting conventional power. It is six years into a major programme to build conventional power plants at Castle Peak in the colony's western new territories, working in a joint venture with Exxon of the U.S. The last of the four dual oil/coal-fired units of the Castle Peak A plant, each with an installed capacity of 350 Mw, will soon be complete.

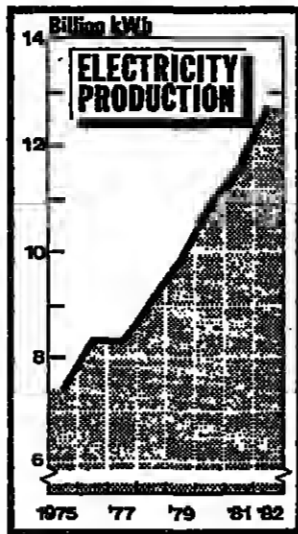
The joint venture is also constructing Castle Peak B, which will consist of four coal-fired units, each with an installed capacity of 660 Mw. One unit will be commissioned every year between 1988-89.

As a result of this expansion programme, which will cost about HK\$40bn, China Light expects to virtually double its installed capacity between 1983-1990, from 3,356 Mw to about 6,200 Mw, keeping it abreast with an expected average annual increase in energy demand of just under 7 per cent.

Expanding needs

Despite this expansion, China Light's managing director, Mr Bill Stones, argues that power from Daya Bay will play an important part in the territory's expanding needs through the 1990s.

Challenging critics who argue China Light should meet that need by building more conventional plants, Mr Stones insists that a power company "should always give itself the maximum flexibility in fuel sources."



He also contests the claim that nuclear power from Daya Bay will be more expensive than conventional power. Despite heavy initial investment — China Light has to pay a quarter share of initial costs amounting to about HK\$3.6bn — a study carried out by the company concluded that unit electricity costs would be lower for the nuclear plant after its fifth year of operation, and that average costs over a 20-year period would be 24 per cent below those for a coal-fired plant.

Endorsing Mr Stones' comments, Mr Peng Shuiy, China's Vice-Minister of Water Conservancy and Power, estimates Daya Bay electricity will cost 6.9 cents per unit — about 17 per cent below current charges in Hong Kong. He says the price will be maintained until loans have been repaid about 13 years after commissioning, and will then be halved.

However, these projections assume there will be no delay in commissioning Daya Bay. Critics fear Hong Kong consumers will be the ones who pay if the arithmetic goes wrong.

David Dodwell

Christopher Wood on the differing policies of the major shipowners

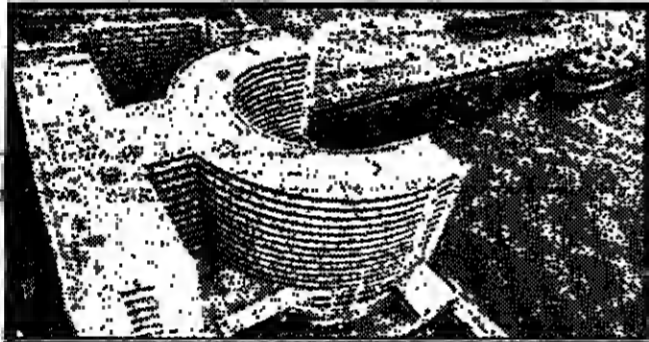
Bears and bulls in uncertain market

Shipping

HONG KONG'S traditionally ultra-low-profile community of shipowners has shown a different response to the protracted international shipping slump.

A recent analysis of publicly listed shipping companies by stockbroker Hoare Govett made some interesting observations on the contrasting strategies being pursued. However, any attempt to analyse just the publicly quoted interests of a HK owner clearly ignores the considerable assets also held privately.

Perhaps the most notable point highlighted by Hoare is the cautious strategy which has been pursued by World International, the publicly listed vehicle of Hong Kong's best known shipowner, Sir Yue-Kong Fao. Bearish on any prospect of an immediate recovery, World has been selling vessels on the expiry



The multi-story Ocean Terminal on Hong Kong Harbour.

of charters without increasing its new orders.

The operating fleet fell from 6.2m to 4.3m dwt during the year ended July 1983 and there have been further sales since.

World's net debt represents only 46 per cent of ordinary shareholders' funds at HK\$1.5bn in September 1983.

Sir YK's recently revealed plans to separate World's property interests from its ship-

ping operations have prompted speculation that the period of disposal may have come to an end. He plans to float off World's shipping interests in a separate publicly quoted company to be called Eastern Asia Navigation.

Sir YK claims the move is an attempt to acknowledge the inherent strength of his shipping operations. At the moment, World International shares reflect the value of the company's property interests

and little else. Shipping industry experts suggest there is more to the reorganisation than that, but until Sir YK's detailed proposals are made public at the end of this month it is difficult to discern what it is.

By contrast, another major HK group, Wah Kwong, the third largest after Pao and the Tungs of Orient Overseas, has been notably more aggressive, with the company taking delivery of six new vessels in the 15 month period to the end of March this year. Six more are being built for delivery between late 1984 and 1986.

This programme is estimated to retain the fleet's size at more than 5m dwt after making allowance for the sale of old vessels.

Hoare Govett estimates this building programme will cost near HK\$1bn. With 85 per cent of total income still covered by time charters considerably above current spot rates, the acid test will come in 1986 and 1987 by which time charter expires will mean that less than 50 per cent of the fleet will be protected. By this time debt on the ships will also have fallen significantly.

Still, lack of investor enthusiasm was apparent when Wah Kwong abandoned in May, at a fairly late stage, its plans to float a new company called Venture Lines. This was to have comprised 11 ships currently owned privately by the Chan family who run Wah Kwong.

Highly geared

The third major HK owner, the Tungs, hold their quoted interests in Orient Overseas Holdings. This remains highly geared despite the HK\$1.3bn acquisition of shipping, property and insurance assets in December 1982 from the Tungs' private interests, an exercise which increased the share capital by 83 per cent, hitting returns on equity.

One HK company which has undoubtedly suffered severe financial problems is Wheelock Maritime International, the shipping arm of Wheelock Marine, which in 1983 registered a net loss after extraordinary expenses of HK\$29.3m.

With a third of its fleet on the spot market — the result of a speculative ordering binge in 1980-81 — Wheelock has resorted to some imaginative expedients. The shipping magazine Seatrade reported in June that Wheelock Marine and two other Wheelock Marine ship-owning subsidiaries sold 11 ships to Iran in return for US\$160m worth of crude oil, which was subsequently taken by Shell.

The other once major HK shipowning company, Grand Marine, was embroiled in the Carrian debacle and is now reduced to 13 ships as against 65 when at its largest. Nevertheless, it is one of the few parts of the Carrian empire to have survived, albeit in a severely truncated form.

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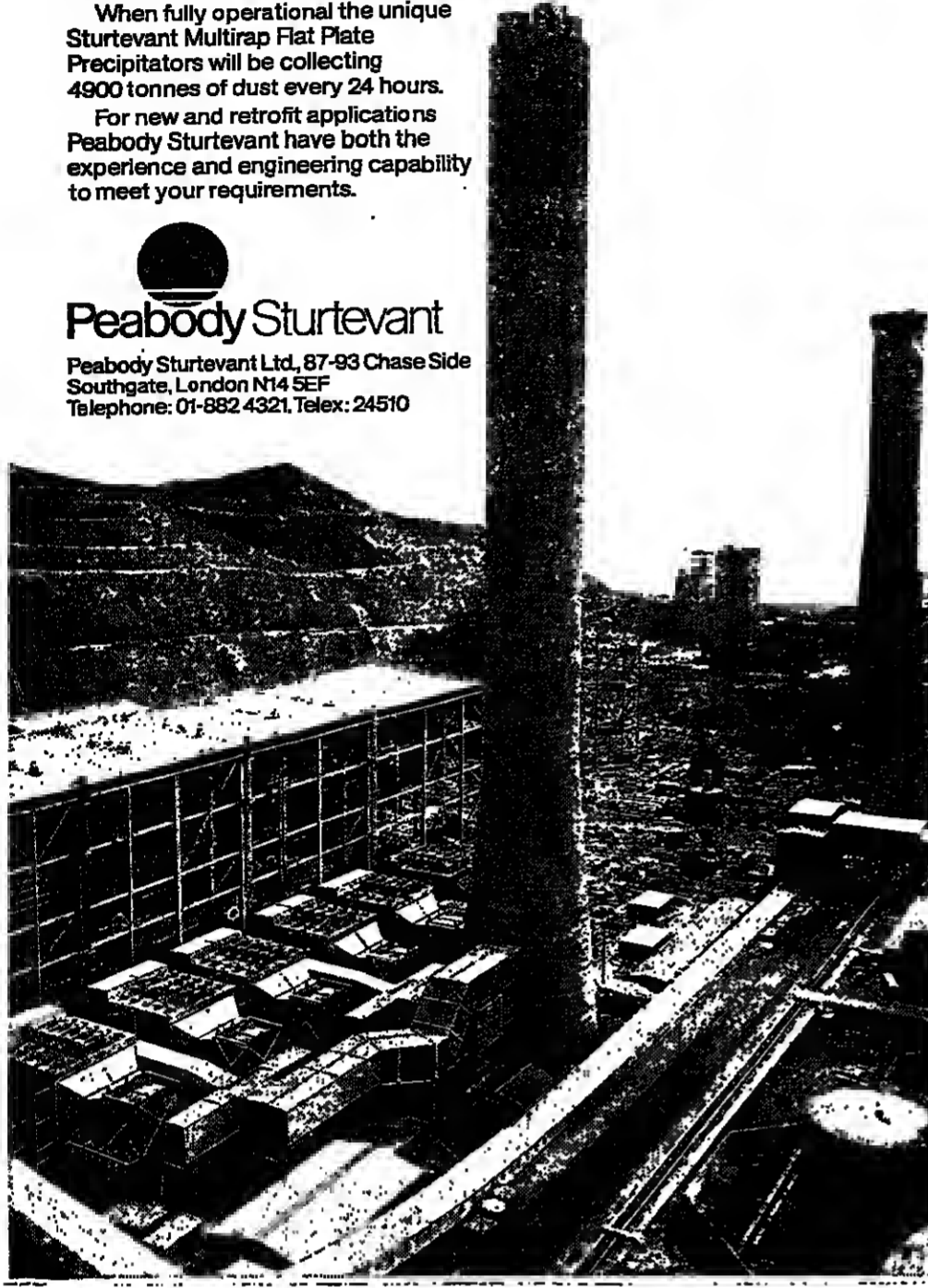
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HONG KONG 14

Robert Cottrell offers advice on where to find la crème de la crème

Ten of the best, times three

Ten best diversions for visitors

- 1 View of Hong Kong and Kowloon from the Peak
- 2 View of Hong Kong skyline from Kowloon
- 3 Landing at Kaitak Airport by night
- 4 Ride on the Star Ferry
- 5 Man Mo Temple and the old mid-levels
- 6 A day in Macau
- 7 Stanley
- 8 A ferry-ride to an outlying island
- 9 A day at the races
- 10 Ocean Park

This list could scarcely be other than subjective, and has been constructed on the basis of "what should any visitor not leave Hong Kong without seeing or doing?"

Hong Kong's most spectacular attraction is the city itself, seen in panorama. Landing at Kaitak Airport by night is the best introduction. The airport is in the heart of urban Kowloon, such that arriving planes swoop in so low over the city as to seem almost to brush the buildings below; or over the harbour, with ships glittering below and the city of Victoria just a half-mile away on the opposite waterfront. It is well worth noosing an evening arrival flight, and securing a window seat, simply to capture this view.

Still more hypnotic views of Hong Kong are from the peak on Hong Kong Island, and from the Kowloon waterfront. The peak is equally worthwhile by day or night, though not when obscured by fog and cloud.

The view of Hong Kong from Kowloon is much the better at night, and much the most comfortable from the glass-walled bar of the plush Regent Hotel. The glass walls provide a magnificent view; they also ensure the hotel's good "fung shui,"

Ten best books about Hong Kong

- 1 Hong Kong 1987 by David Bonavia (South China Morning Post)
- 2 Insight Guide to Hong Kong (Insight)
- 3 Tai-pan by James Clavell (Hodder and Stoughton)
- 4 Myself a Mandarin by Austin Coates (Heinemann)
- 5 Hong Kong 1984 (Hong Kong Government)
- 6 Noble House, by James Clavell (Hodder and Stoughton)
- 7 Hong Kong: Stability and Change by H. J. Leithbridge (Oxford)
- 8 Hong Kong 1862-1919 by G. R. Sayer (HK University Press)
- 9 The Hong Kong Guide 1893 (Oxford)
- 10 The Honourable Schoolboy by John Le Carré (Hodder and Stoughton)

This list is a jumble of pulp fiction, academia and travelogue. The criterion applied in compiling it is to imagine what might be the most valuable single book to be read by a first-time visitor en route to Hong Kong with perhaps three or four hours left before touchdown.

David Bonavia's brief study, "Hong Kong 1987," is a clear winner both for topicality and readability. Hong Kong is obsessed with its uncertain political future. The issue dominates newspaper front pages, and university classrooms, dinner tables and clubrooms.

A knowledge of the background to "1987," when the new territories lease expires, is necessary for the visitor who hopes to identify, however slightly, with everyday life in the territory.

In discussing the expiry of the lease, and Hong Kong's eventual reversion to Chinese sovereignty in 1997, Bonavia gives lively descriptions of aspects of the territory's history, economy and culture.

The "Insight Guide to Hong Kong" is the most intelligent and readable of visitors' guides, but best read as a preparation for arriving in Hong Kong, rather than held for day-to-day use on arrival. It is stronger on descriptive essays than on detailed "how-to" and "where-to" information.

Of the novels, James Clavell's two heavyweights, "Tai-pan" and "Noble House," deal respectively with the founding of Hong Kong in the 1840s, and its cut-throat business tycoons of the 1960s. Both are fast, well-written, and

thoroughly researched. Noble House verges on being or geomancy. Soothsayers say black walls would have obstructed the spirit-dragns which like to swim in and out of the harbour where the hotel now stands.

Hong Kong's waterborne public transport provides some of the city's best-value sight-seeing. The Star Ferry runs between Hong Kong and Kowloon sides of the harbour, charging 70 Hong Kong cents (about 10 U.S. cents) for a first-class seat.

There are two Star Ferry routes. Both leave from the Central District waterfront.

Peaceful

The shorter route goes to ocean terminal, the large modern pier directly opposite. The other goes to Hung Hom railway station, about a mile to the east. The Hung Hom ride is the better for sightseeing, with its sustained open-air close-up of both sides of the harbour-front.

Ferries to the outlying islands are an ideal chance to spend a peaceful hour or so on an open sun-deck, getting just a breath of the South China Seas. Go "de-luxe" class, for which most rides cost around the equivalent of one U.S. dollar, more on weekends.

Choose Cheung Chau or Lantau as a destination. Cheung Chau has a good swimming beach, a friendly local village, and seafood bars and restaurants. Lantau, a larger island than Hong Kong itself, has mountain walks, tea gardens, and even a Buddhist monastery.

On Hong Kong Island, the Man Mo temple on Hollywood Road is a good starting point for walking around an older residential quarter of Hong Kong which has been partially razed for new apartment blocks.

The temple is hauntingly old

and smoky; downhill is the old "cat street" area, now an antique shop quarter; nearby Jervois and Hillier Streets are noted for their snake shops. Look for the crates of live snakes outside. Snake gall bladders are crushed into glasses of rice wine to make what Chinese folk-medicine holds to be a powerful aphrodisiac.

The attraction of Stanley is partly the village itself, partly the sights en-route. Take a taxi or a number six bus from the Exchange Square bus park. The bus route plods through Central District and Wanhsai, then up and over Morrison Hill to the south side of Hong Kong Island, whose roads are dotted with extravagant Mediterranean-style villas. The coast is a succession of bays and headlands in improbably vivid colours.

Stanley's major feature is its market, selling cut-price clothes (often designer seconds). Eat at "Stanley's" a relaxed seafood French restaurant with a top-floor verandah.

Ocean Park, near the town of Aberdeen on Hong Kong Island, is Hong Kong's major amusement park, recently jazzed up with rides including a large and terrifying roller coaster.

Ocean Park's main attractions are its aquarium and dolphinarium, and an open-air theatre offering evening and afternoon displays of high diving, singing dolphins and performing whales. Best of all, however, are the cable-cars which run the length of the park, high above the headland with gorgeous views of the sea beyond.

A day at the races is a social as well as a sporting event. Hong Kong's betting revenues are the highest of any racecourse in the world. Go to a weekend race meeting at the jockey club's new track at Sha Tin in the new territories.

Finally, the Portuguese enclave of Macao is just 55 minutes away by jetfoil. Its most popular attraction is gambling, though the public area of the large casinos tend towards the seedy. For non-gamblers, Macao merits a day-trip to explore its historic buildings, and its extraordinary blend of Portuguese and Cantonese atmosphere.

Walk through the old city; take a bus across the harbour bridge, to the islands of Taipa and Coloane, and drink the cheap, refreshing Portuguese wines.



The Star Ferry: good value sightseeing.

Ten outstanding restaurants

- 1 Mandarin Grill, Mandarin Hotel
- 2 Fook Lam Moon, Lockhart Road
- 3 Regent Seafood Restaurant, Gloucester Road
- 4 Lanfahshan, New Territories
- 5 Benkay, Landmark, Central
- 6 La Plume, Regent Hotel, Tsim Sha Tsui
- 7 Lao Ching Hing, Causeway Bay
- 8 Pincocchio, Taipa Island, Macao
- 9 Sun Tung Lok, Harbour City
- 10 Bangkok, Bangkok Hotel, Tsim Sha Tsui

To call this list the "ten best restaurants" in Hong Kong would be to invite ridicule. Hong Kong has the best and most diverse selection of Chinese restaurants in the world, of all sizes, prices and cuisines.

The ten restaurants listed are all first class, reliable, and provide English-language menus. Not all are Chinese. The Mandarin Grill, for instance, must come at lunchtime as close to perfection as any restaurant in the world. Service is fast and graceful, food is fresh and simple.

Fook Lam Moon, is a Cantonese restaurant highly regarded for its seafood.

Fook Lam Moon's speciality is abalone—a highly regarded Chinese dish, but expensive. Likewise shark's fin, the speciality of the house at Sun Tung Lok. Shark's fin is regarded as having invigorating and aphrodisiac quality. Try a soup of shark's fin with crab meat or chicken, or go to Sun Tung Lok for an early lunch of delicious "dim sum."

On Hong Kong side, go for "dim sum" at the Regent Seafood Restaurant on Gloucester Road.

More northerly Chinese food comes into its own in winter—try the rich, hot winter melon soups at Lao Ching Hing in Causeway Bay, an old-fashioned Shanghai restaurant. Or spare rib in lotus leaf. Or the seasonal fresh water " hairy" crabs.

Lanfahshan is not a restaurant, but a ramshackle village of restaurants up in the north-west of the New Territories. It borders Hong Kong's richest oyster bed. Customers choose fish or seafood alive and swimming from a tank in front of their chosen restaurant.

Do not eat the local oysters raw, if you plan to remain upright for the remainder of your visit. Benkay is Hong Kong's best Japanese restaurant, firing in its fresh fish daily. Go in the evening; lunchtimes tend to be fully booked.

Up-market

Each of Hong Kong's big hotels has its up-market French restaurant. La Plume at the Regent has the edge because of its beautiful harbour-side setting and picture windows. The food is expensive but well cooked.

At the opposite extreme, the house restaurant at the Bangkok, a sparsely decorated tourist hotel, offers good authentic Thai dishes, some blisteringly spicy.

Pincocchio, on Taipa Island, Macao, is a courtyard of trellis tables and electric fans which alone merits the trip across from Hong Kong. Spicy grilled food, cold Portuguese wine. Best to go in a large group, and share a garlicky leg of lamb or a barbecued suckling pig with a plate of fresh prawns to start.



"Best novel yet about Hong Kong"

too long and too complicated. Tai-pan is a fine factually-based historical novel full of pirates, typhoons, duels, and true love, and the best novel yet written about Hong Kong.

Fans of John Le Carré may hold "The Honourable Schoolboy" to be a better novel as such, but Le Carré's is more of a spy story which happens to take place in Hong Kong than a book about Hong Kong.

Austin Coates served as a young district officer in the new territories immediately after the Second World War, empowered with the welfare of a still largely traditional rural Chinese society. Coates conveys in his memoir "Myself a Mandarin," both the humour of his early naivety, and his gradual education into Cantonese ways and values. Coates is the author of several excellent books about Asia, including "City of Broken Promises," a historical novel of Macao; and "China Races," a history of horse racing on the China coast.

Deftly written

Of the clutch of history books, H. J. Leithbridge's essays in "Hong Kong: Stability and Change" are deftly-written investigations into slightly offbeat aspects of Hong Kong's earlier decades: corruption; Hong Kong's European working class; the founding of a charitable body to help destitute girls.

In "Hong Kong 1862-1919," G. R. Sayer—father of a former chairman of the Hong Kong and Shanghai Banking Corporation—deals governor-by-governor with Hong Kong's formative years, populated with bizarre and colourful figures and incidents.

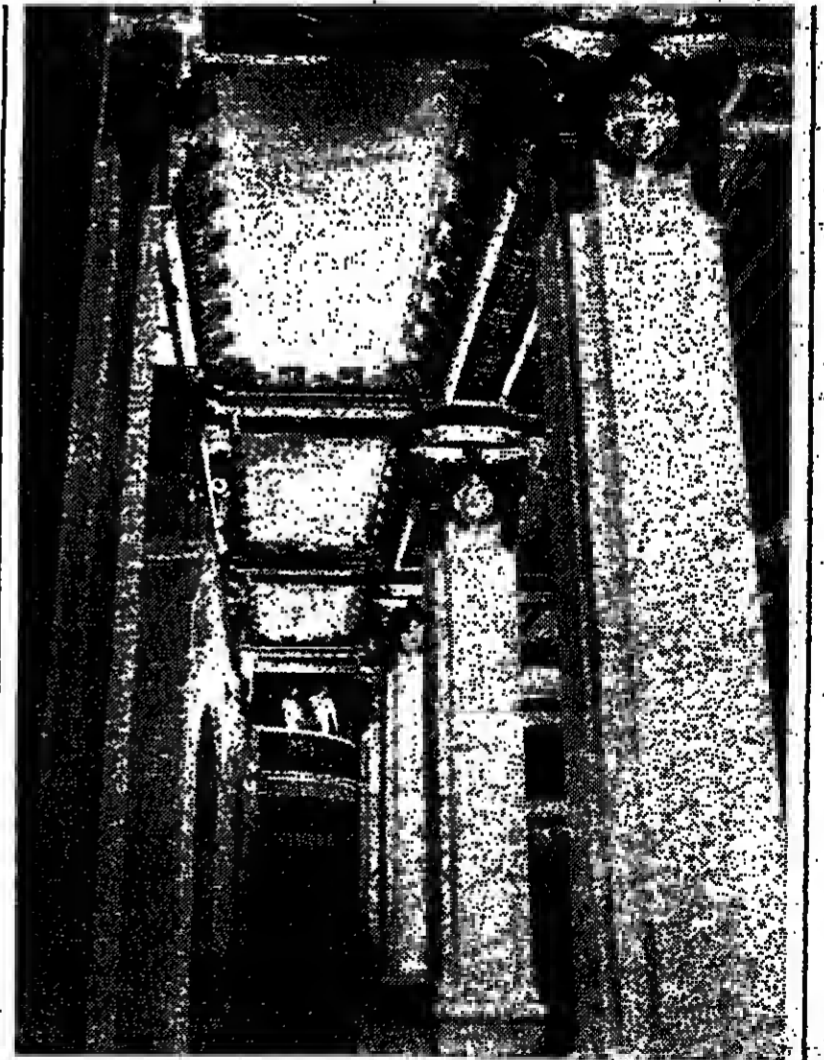
Both books describe a Hong Kong which is just within living memory, and whose echoes still linger on. The physical city is very different, but with a continuity of spirit.

Look out in particular for the selection of photographs in Sayer's book, which include Nathan Road, just 65 years ago, as a booky, tree-lined avenue with scarcely a building in sight.

"Hong Kong 1984" is the Government's official handbook, containing virtually every fact and figure imaginable, be it about trade, finance, rice-farming or satellite earth-stations. A useful but not light read.

"Hong Kong 1893" is a reprint of an original tourist guide published that year, and sold then as HK\$1 (the reprint costs HK\$46). It is linguistic ("For some prior to 1841, Hong Kong existed only as a plutonic island of uninviting sterility... today it stands forth before the world... a noble monument to British pluck and enterprise"); snooty; and full of fascinating details, such as the "haunted house of happy valley" where three directors of Jardine Matheson died within 18 months.

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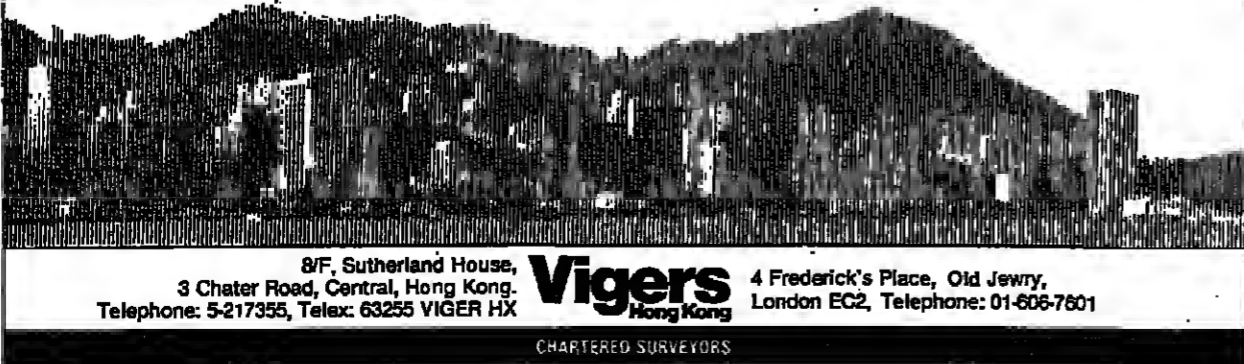


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